



Department of the Treasury
Internal Revenue Service

2005

Returns for Organizations Exempt From Income Tax Under Section 501(c)(4) of the Internal Revenue Code

This package contains the following forms and related instructions:

Form 990-EZ Form 990-T Form 8868
Form 990 Form 990-W
Schedule B (Form 990, 990-EZ, or 990-PF)

All forms are placed in the center of this package for easy removal. Also enclosed is a completed sample Form 990-EZ and its supplemental instructions.

Form 990-EZ is enclosed for use by organizations with gross receipts of less than \$100,000 for the year **and** total assets of less than \$250,000 at the end of the year. These smaller organizations will find this form easier to complete than Form 990.

An organization is not required to file Form 990, or Form 990-EZ, with the IRS if its gross receipts normally are not more than \$25,000. State filing requirements may differ; therefore, the organization may still be required to file Form 990, or Form 990-EZ, with one or more states even though it is not required to file with the IRS. Organizations in this category should consult appropriate state officials to determine their specific filing requirements.

Organizations that are eligible to receive tax deductible contributions are listed in Publication 78, Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986. An organization may be removed from this listing if our records show that it is required to file Form 990, or Form 990-EZ, but it does not file a return or advise us that it is no longer required to file. However, contributions by the general public to such an organization may continue to be deductible until the IRS publishes a notice to the contrary in the Internal Revenue Bulletin.

The IRS will assess penalties for an incomplete or incorrect return. Organizations that do not file a complete return will receive a letter requesting the missing information. If missing or correct information is not furnished or reasonable cause is not established, the organization will be assessed the \$20 per day penalty under section 6652(c)(1). Accordingly, we caution you to make certain that the return is complete and correct and urge you to respond promptly to any letter requests for missing information.

An organization must:

- Make its Form 990, or Form 990-EZ, and its exemption application, available for public inspection, including all attachments and schedules, but note the public inspection requirements for Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors.
- Provide a copy without charge, other than a reasonable fee for reproduction and actual postage costs, of all or any part of any application or return required to be made available for public inspection, to any individual who makes a request for such copy in person or in writing. See *General Instruction M*.
- Fulfill the requirements for a properly completed return. See *General Instruction W*.

Internal Revenue Service
P.O. Box 3737
Ogden, UT 84409

Official Business

Penalty for Private Use, \$300

Peel off the label and place it in the address area of the Form 990, or Form 990-EZ, you file. If someone else prepares the return, please give the preparer the preaddressed label and the envelope and ask the preparer to use them. Make necessary corrections on the label.



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Package 990-3

Cat. No. 50004Y

2005



Department of the Treasury
Internal Revenue Service

Instructions for Form 990 and Form 990-EZ

Return of Organization Exempt From Income Tax and Short Form Return of Organization Exempt From Income Tax

Under Section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code
(except black lung benefit trust or private foundation)

Caution: Form 990-EZ is for use by organizations with gross receipts of less than \$100,000 and total assets of less than \$250,000 at the end of the year.

Section references are to the Internal Revenue Code unless otherwise noted.

| Contents | Page | Contents | Page |
|---|------|---|------|
| • What's New | 1 | R Group Return | 14 |
| • Purpose of Form | 1 | S Organizations in Foreign Countries and U.S. Possessions | 14 |
| • Phone Help | 1 | T Public Interest Law Firms | 14 |
| • Email Subscriptions | 1 | U Political Organizations | 14 |
| • Photographs of Missing Children | 2 | V Information Regarding Transfers Associated With Personal Benefit Contracts | 14 |
| • General Instructions | 2 | W Requirements for a Properly Completed Form 990 or Form 990-EZ | 15 |
| A Who Must File | 2 | • Specific Instructions for Form 990 and Table of Contents for These Specific Instructions | 17 |
| B Organizations Not Required To File | 2 | • Specific Instructions for Form 990-EZ and Table of Contents for These Specific Instructions | 37 |
| C Exempt Organization Reference Chart | 3 | • Index | 46 |
| D Forms and Publications To File or Use | 3 | | |
| E Use of Form 990, or Form 990-EZ, To Satisfy State Reporting Requirements | 4 | | |
| F Other Forms as Partial Substitutes for Form 990 or Form 990-EZ | 5 | | |
| G Accounting Periods and Methods | 5 | | |
| H When and Where To File | 6 | | |
| I Extension of Time To File | 6 | | |
| J Amended Return/Final Return | 6 | | |
| K Penalties | 6 | | |
| L Contributions | 7 | | |
| M Public Inspection of Returns, etc. | 8 | | |
| N Disclosures Regarding Certain Information and Services Furnished | 11 | | |
| O Disclosures Regarding Certain Transactions and Relationships | 11 | | |
| P Intermediate Sanction Regulations—Excess Benefit Transactions | 11 | | |
| Q Erroneous Backup Withholding | 14 | | |

whether organizations have offices in foreign countries and if so, to list the countries where the offices are located.

Purpose of Form

Form 990 and Form 990-EZ are used by tax-exempt organizations, nonexempt charitable trusts, and section 527 political organizations to provide the IRS with the information required by section 6033.

An organization's completed Form 990, or Form 990-EZ, is available for public inspection as required by section 6104. Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors, is open for public inspection for section 527 organizations filing Form 990 or Form 990-EZ. For other organizations that file Form 990 or Form 990-EZ, parts of Schedule B may be open to public inspection. See the *Instructions for Schedule B* for more details.

Some members of the public rely on Form 990, or Form 990-EZ, as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, the return must be complete, accurate, and fully describe the organization's programs and accomplishments.

Use Form 990 or Form 990-EZ, to send a required election to the IRS, such as the election to capitalize costs under section 266.

Phone Help

If you have questions and/or need help completing Form 990, or Form 990-EZ, please call 1-877-829-5500. This toll-free telephone service is available Monday through Friday.

Email Subscription

The IRS has established a new subscription-based email service for tax professionals and representatives of tax-exempt organizations. Subscribers will receive periodic updates from the IRS regarding exempt organization tax law and regulations, available services, and other information. To subscribe, visit www.irs.gov/eo.

What's New

Several changes were made to Form 990 and Form 990-EZ for 2005. These changes include:

- New checkboxes for foreign grants in Part III-*Statement of Program Service Accomplishments* for Forms 990 and 990-EZ.
- The previous Part V of Form 990 is now Part V-A. Three new questions were added concerning relationships with other entities and control of the organization.
- New Part V-B has been added to Form 990. It requests information about compensation or other benefits that former officers, directors, trustees, and key employees received from the organization.
- New line 91b has been added to Form 990 (line 42b on Form 990-EZ). These lines ask whether the organization had an interest in or signature authority over any foreign financial accounts, and if so, to list the countries where the accounts are located.
- New line 91c has been added to Form 990 (line 42c on Form 990-EZ). These lines ask

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

General Instructions

The *General Instructions* apply to both Form 990 and Form 990-EZ. See also the *Specific Instructions* for each of these forms.

A. Who Must File

Filing Tests

If the organization does not meet any of the exceptions listed in *General Instruction B*, and its annual gross receipts are normally more than \$25,000, it must file Form 990 or Form 990-EZ. See the gross receipts discussion in *General Instruction B*.

If the organization's gross receipts during the year are less than \$100,000 and its total assets at the end of the year are less than \$250,000, it may file Form 990-EZ instead of Form 990. Even if the organization meets this test, it can still file Form 990.

Organizations required to file Schedule A (Form 990 or 990-EZ), Organization Exempt Under Section 501(c)(3), that do not meet the support tests discussed in the instructions for Part IV of that schedule should contact the IRS at the following address to re-evaluate their determination-of-filing requirements.

Internal Revenue Service
TE/GE EO Determinations
P.O. Box 2508
Cincinnati, OH 45201

Section 501(a), (e), (f), (k), and (n) Organizations

Except for those types of organizations listed in *General Instruction B*, an annual return on Form 990, or Form 990-EZ, is required from every organization exempt from tax under section 501(a), including foreign organizations and cooperative service organizations described in sections 501(e) and (f); child care organizations described in section 501(k); and charitable risk pools described in section 501(n).

Section 501(c)(3), 501(e), (f), (k), and (n) organizations must also attach a completed Schedule A (Form 990 or 990-EZ) to their Form 990 or Form 990-EZ.



TIP For purposes of these instructions, the term section 501(c)(3) includes organizations exempt under sections 501(e), (f), (k), and (n).

Section 501(c)(15) Organizations

Section 501(c)(15) organizations that normally have gross receipts of more than \$25,000 for the tax year must file Form 990, or Form 990-EZ (if applicable). However, any section 501(c)(15) insurance company (other than life insurance) that does not have both (1) gross receipts equal to or less than \$600,000, and (2) premiums that equal more than 50% of total gross receipts must file Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return, or Form 1120, U.S.

Corporation Income Tax Return, as appropriate.

Any section 501(c)(15) mutual insurance company that does not meet the above test must meet an alternate test requiring both (1) gross receipts that are equal to or less than \$150,000, and (2) premiums that equal more than 35% of total gross receipts. If the mutual insurance company does not meet either test, then it must file Form 1120-PC or Form 1120 (if the organization is not entitled to insurance reserves) instead of Form 990, as appropriate.



CAUTION The alternate test does not apply if any employee of the mutual insurance company or a member of the employee's family is an employee of another company that is exempt under section 501(c)(15) or would be exempt if this provision did not apply).

The anti-abuse rule found in section 501(c)(15)(C), explains how gross receipts (including premiums) from all members of a controlled group are aggregated in calculating the above tests.

Premiums consist of all amounts received as a result of entering into an insurance contract.

For information about the reporting of premiums, see instructions for Part I, line 2 and Part VII, *Lines 93(a) through (g)*.

Political Organizations

Tax-exempt political organizations must file Form 990 or Form 990-EZ (if applicable) unless the organization is excepted from filing under exemption 14 or 15 of *General Instruction B*. A qualified state or local political organization (defined below) must file Form 990 (not Form 990-EZ) only if it has gross receipts of \$100,000 or more.

Qualified state or local political organizations. This is a political organization that meets all of the following requirements.

1. The organization's exempt functions are solely for the purpose of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any state or local public office or office in a state or local political organization.
2. The organization is subject to state law that requires it to report the information that is similar to that required on Form 8872.
3. The organization files the required reports with the state.
4. The state makes such reports public and the organization makes them open to public inspection in the same manner that organizations must make Form 8872 available for public inspection.

For additional information, including the prohibition of involvement in the organization of a federal candidate or office holder, see section 527(e)(5).

Disregarded Entities

A disregarded entity, as described in Regulations sections 301.7701-1 through 301.7701-3, is treated as a branch or division of its parent organization for federal tax purposes. Therefore, financial and other information applicable to a disregarded entity must be reported as the parent organization's information.

Section 4947(a)(1) Nonexempt Charitable Trusts

Any nonexempt charitable trust (described in section 4947(a)(1)) not treated as a private foundation is also required to file Form 990, or Form 990-EZ, along with a completed Schedule A (Form 990 or 990-EZ). See the discussion in *General Instruction D* for

exceptions to filing Form 1041, U.S. Income Tax Return for Estates and Trusts.

If an Organization's Exemption Application is Pending

If the organization's application for exemption is pending, check the *Application pending* box in the heading of the return and complete the return.

Organizations That Filed a Return in the Prior Year But Are Not Required To File in The Current Year

Organizations that previously filed Form 990 or Form 990-EZ and meet exemption 15 under *General Instruction B* do not have to file a return even if they received a Form 990 Package.

Exempt organizations that filed Form 990, or Form 990-EZ, but are no longer required to file because they meet a specific exemption (other than exemption 15 in *General Instruction B*) should advise their IRS area office so their filing status can be updated.

Exempt organizations that are not sure of their area office may call the IRS at the *Phone Help* line, 1-877-829-5500. Exempt organizations that stop filing Form 990, or Form 990-EZ, without notifying their area office may receive service center correspondence inquiring about their returns. When responding to these inquiries, these organizations should give the specific reason for not filing.

Failure to File and Its Effect on Contributions

Organizations that are eligible to receive tax deductible contributions are listed in Publication 78, Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986. An organization may be removed from this listing if our records show that it is required to file Form 990, or Form 990-EZ, but it does not file a return or advise us that it is no longer required to file. However, contributions to such an organization may continue to be deductible by the general public until the IRS publishes a notice to the contrary in the Internal Revenue Bulletin.

B. Organizations Not Required To File



TIP Organizations not required to file Form 990, or Form 990-EZ with the IRS may wish to use it to satisfy state reporting requirements. For details, see *General Instruction E*.

The following types of organizations exempt from tax under section 501(a) (section 527 for political organizations) do not have to file Form 990, or Form 990-EZ, with the IRS. However, if the organization chooses to file a Form 990 or Form 990-EZ, it must also attach the schedules and statements described in the instructions for these forms.

1. A church, an interchurch organization of local units of a church, a convention or association of churches, an integrated auxiliary of a church (such as a men's or women's organization, religious school, mission society, or youth group).

2. Church-affiliated organizations that are exclusively engaged in managing funds or maintaining retirement programs and are described in Rev. Proc. 96-10, 1996-1 C.B. 577.

3. A school below college level affiliated with a church or operated by a religious order.

4. A mission society sponsored by, or affiliated with, one or more churches or church

denominations, if more than half of the society's activities are conducted in, or directed at, persons in foreign countries.

5. An exclusively religious activity of any religious order.

6. A state institution whose income is excluded from gross income under section 115.

7. An organization described in section 501(c)(1). Section 501(c)(1) organizations are corporations organized under an Act of Congress that are:

- Instrumentalities of the United States, and
- Exempt from federal income taxes.

8. A private foundation exempt under section 501(c)(3) and described in section 509(a). Use Form 990-PF, Return of Private Foundation.

9. A black lung benefit trust described in section 501(c)(21). Use Form 990-BL, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.

10. A stock bonus, pension, or profit-sharing trust that qualifies under section 401. Use Form 5500, Annual Return/Report of Employee Benefit Plan.

11. A religious or apostolic organization described in section 501(d). Use Form 1065, U.S. Return of Partnership Income.

12. A foreign organization whose annual gross receipts from sources within the U.S. are normally \$25,000 or less (Rev. Proc. 94-17, 1994-1 C.B. 579). See the \$25,000 gross receipts test in 15c.

13. A governmental unit or affiliate of a governmental unit described in Rev. Proc. 95-48, 1995-2 C.B. 418.

14. A political organization that is:

- A state or local committee of a political party;
- A political committee of a state or local candidate;
- A caucus or association of state or local officials;
- An authorized committee (as defined in section 301(6) of the Federal Election Campaign Act of 1971) of a candidate for federal office;
- A national committee (as defined in section 301(14) of the Federal Election Campaign Act of 1971) of a political party;
- A United States House of Representatives or United States Senate campaign committee of a political party committee;
- Required to report under the Federal Election Campaign Act of 1971 as a political committee (as defined in section 301(4) of such Act); or
- An organization described under section 6033(g)(3)(G).

15. An organization whose annual gross receipts are normally \$25,000 or less.

a. **Calculating gross receipts.** The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses.

i. **Form 990.** Gross receipts are the sum of lines 1d, 2, 3, 4, 5, 6a, 7, 8a (both columns), 9a, 10a, and 11 of Part I. Gross receipts can also be calculated by adding back the amounts on lines 6b, 8b (both columns), 9b, and 10b to the total revenue reported on line 12.

ii. **Form 990-EZ.** Gross receipts are the sum of lines 1, 2, 3, 4, 5a, 6a, 7a, and 8 of Part I. Gross receipts can also be calculated by adding back the amounts on lines 5b, 6b, and 7b to the total revenue reported on line 9.

Example. Organization M reported \$50,000 as total revenue on line 9 of its Form

990-EZ. M added back the costs and expenses it had deducted on lines 5b (\$2,000); 6b (\$1,500); and 7b (\$500) to its total revenue of \$50,000 and determined that its gross receipts for the tax year were \$54,000.

b. Gross receipts when acting as agent.

If a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from collecting them, the local chapter should not include the premiums in its gross receipts. The parent lodge should report them instead. The same treatment applies in other situations in which one organization collects funds merely as an agent for another.

c. **\$25,000 gross receipts test.** An organization's gross receipts are considered normally to be \$25,000 or less if the organization is:

- Up to a year old and has received, or donors have pledged to give, \$37,500 or less during its first tax year;
- Between 1 and 3 years old and averaged \$30,000 or less in gross receipts during each of its first 2 tax years; or
- Three (3) years old or more and averaged \$25,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

C. Exempt Organization Reference Chart

TIP To determine how the instructions for Form 990 and Form 990-EZ apply to you, you must know the Code section under which you are exempt.

| Type of Organization | I.R.C. Section |
|---|------------------|
| Corporations Organized Under Act of Congress | 501(c)(1) |
| Title Holding Corporations | 501(c)(2) |
| Charitable, Religious, Educational, Scientific, etc., Organizations | 501(c)(3) |
| Civic Leagues and Social Welfare Organizations | 501(c)(4) |
| Labor, Agricultural, and Horticultural Organizations | 501(c)(5) |
| Business Leagues, etc. | 501(c)(6) |
| Social and Recreation Clubs | 501(c)(7) |
| Fraternal Beneficiary and Domestic Fraternal Societies and Associations | 501(c)(8) & (10) |
| Voluntary Employees' Beneficiary Associations | 501(c)(9) |
| Teachers' Retirement Fund Associations | 501(c)(11) |
| Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, etc. | 501(c)(12) |
| Cemetery Companies | 501(c)(13) |
| State Chartered Credit Unions, Mutual Reserve Funds | 501(c)(14) |
| Insurance Companies or Associations Other Than Life | 501(c)(15) |
| Cooperative Organizations To Finance Crop Operations | 501(c)(16) |
| Supplemental Unemployment Benefit Trusts | 501(c)(17) |

| | |
|--|-------------------|
| Employee Funded Pension Trusts (created before 6/25/59) | 501(c)(18) |
| Organizations of Past or Present Members of the Armed Forces | 501(c)(19) & (23) |
| Black Lung Benefit Trusts | 501(c)(21) |
| Withdrawal Liability Payment Funds | 501(c)(22) |
| Title Holding Corporations or Trusts | 501(c)(25) |
| State-Sponsored Organizations Providing Health Coverage for High-Risk Individuals | 501(c)(26) |
| State-Sponsored Workmen's Compensation and Insurance and Reinsurance Organizations | 501(c)(27) |
| Religious and Apostolic Associations | 501(d) |
| Cooperative Hospital Service Organizations | 501(e) |
| Cooperative Service Organizations of Operating Educational Organizations | 501(f) |
| Child Care Organizations | 501(k) |
| Charitable Risk Pools | 501(n) |
| Political Organizations | 527 |

D. Forms and Publications To File or Use

Internet. You can access the IRS website 24 hours a day, 7 days a week, at www.irs.gov to:

- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Sign up to receive local and national tax news by email.

CD-ROM for tax products. You can order Publication 1796, IRS Tax Products CD, and obtain:

- A CD that is released twice so you have the latest products. The first release ships in late December and the final release ships in late February.
- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions (FAQs).
- Tax Topics from the IRS telephone response system.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.

Buy the CD-ROM from National Technical Information Service (NTIS) at www.irs.gov/cdorders for \$25 (no handling fee) or call 1-877-233-6767 toll free to buy the CD-ROM for \$25 (plus a \$5 handling fee).

By phone and in person. You can order forms and publications by calling 1-800-TAX-FORM (1-800-829-3676). You can also get most forms and publications at your local IRS office.

Schedule A (Form 990 or 990-EZ). Organization Exempt Under Section 501(c)(3) (Except Private Foundation) and Section 501(e), 501(f), 501(k), 501(n), or Section 4947(a)(1), Nonexempt Charitable Trust. An

organization is not required to file Schedule A (Form 990 or 990-EZ) if its gross receipts are normally \$25,000 or less. See the gross receipts discussion in *General Instruction B*. **Schedule B (Form 990, 990-EZ, or 990-PF).** Schedule of Contributors. Schedule B (Form 990, 990-EZ, or 990-PF) provides contributor information for line 1 of Form 990 and 990-EZ. All Form 990 and 990-EZ filers must complete and attach this schedule to their return unless they meet an exception, and check the box in item M of Form 990 (item H on Form 990-EZ).

Forms W-2 and W-3. Wage and Tax Statement; and Transmittal of Wage and Tax Statements.

Form W-9. Request for Taxpayer Identification Number and Certification.

Form 940. Employer's Annual Federal Unemployment (FUTA) Tax Return.

Form 941. Employer's Quarterly Federal Tax Return. Used to report social security, Medicare, and income taxes withheld by an employer and social security and Medicare taxes paid by an employer.

Form 943. Employer's Annual Tax Return for Agricultural Employees.

Trust Fund Recovery Penalty. If certain excise, income, social security, and Medicare taxes that must be collected or withheld are not collected or withheld, or these taxes are not paid to the IRS, a Trust Fund Recovery Penalty may apply. The Trust Fund Recovery Penalty may be imposed on all persons (including volunteers) who the IRS determines were responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so.

This penalty does not apply to volunteer unpaid members of any board of trustees or directors of a tax-exempt organization, if these members are solely serving in an honorary capacity, do not participate in the day-to-day or financial activities of the organization, and do not have actual knowledge of the failure to collect, account for, and pay over these taxes. However, the preceding sentence does not apply if it results in no person being liable for the penalty.

The penalty is equal to the unpaid trust fund tax. See Pub. 15 (Circular E), Employer's Tax Guide, for more details, including the definition of responsible persons.

Form 990-T. Exempt Organization Business Income Tax Return. Filed separately for organizations with gross income of \$1,000 or more from business unrelated to the organization's exempt purpose. The Form 990-T is also filed to pay the section 6033(e)(2) proxy tax. For Form 990, see line 85 and its instructions; for Form 990-EZ, see line 35 and its instructions.

Form 990-W. Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations.

Form 1040. U.S. Individual Income Tax Return.

Form 1041. U.S. Income Tax Return for Estates and Trusts. Required of section 4947(a)(1) nonexempt charitable trusts that also file Form 990 or Form 990-EZ. However, if such a trust does not have any taxable income under Subtitle A of the Code, it can file Form 990, or Form 990-EZ, and does not have to file Form 1041 to meet its section 6012 filing requirement. If this condition is met, complete Form 990, or Form 990-EZ, and do not file Form 1041.

A section 4947(a)(1) nonexempt charitable trust that normally has gross receipts of not more than \$25,000 (see the gross receipts discussion in *General Instruction B*) and has no

taxable income under Subtitle A must complete line 92 and the signature block on page 8 of the Form 990. On the Form 990-EZ, complete line 43 and the signature block on page 3 of the return. In addition, complete only the following items in the heading of Form 990 or Form 990-EZ:

Item

- A** Tax year (fiscal year or short period, if applicable)
- B** Applicable checkboxes
- C** Name and address
- D** Employer identification number (EIN)
- J** Section 4947(a)(1) nonexempt charitable trust box

Form 1096. Annual Summary and Transmittal of U.S. Information Returns.

Form 1098 series. Information returns to report student loan interest, qualified tuition and related expenses received, and a contribution of a qualified vehicle that has a claimed value of more than \$500.

Form 1099 series. Information returns to report acquisitions or abandonments of secured property, proceeds from broker and barter exchange transactions, cancellation of debt, dividends and distributions, certain government and state qualified tuition program payments, taxable distributions from cooperatives, interest payments, payments of long-term care and accelerated death benefits, miscellaneous income payments, distributions from an HSA, Archer MSA or Medicare+Choice MSA, original issue discount, distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc., and proceeds from real estate transactions. Also, use certain of these returns to report amounts that were received as a nominee on behalf of another person.

Form 1120-POL. U.S. Income Tax Return for Certain Political Organizations.

Form 1128. Application To Adopt, Change, or Retain a Tax Year.

Form 3115. Application for Change in Accounting Method.

Form 4506. Request for Copy of Tax Return.

Form 4506-A. Request for Public Inspection or Copy of Exempt or Political Organization IRS Form.

Form 4562. Depreciation and Amortization.

Form 4720. Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code.

Form 5500. Annual Return/Report of Employee Benefit Plan. Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file the Form 5500. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year.

Form 5768. Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation.

Form 8282. Donee Information Return. Required of the donee of charitable deduction property who sells, exchanges, or otherwise disposes of donated property within 2 years after receiving it. The form is also required of any successor donee who disposes of charitable deduction property within 2 years after the date that the donor gave the property to the original donee. It does not matter who gave the property to the successor donee. It may have been the original donee or another successor donee.

Form 8283. Noncash Charitable Contributions.

Form 8300. Report of Cash Payments Over \$10,000 Received in a Trade or Business. Used to report cash amounts in excess of \$10,000 that were received in a single transaction (or in two or more related transactions) in the course of a trade or business (as defined in section 162).

However, if the organization receives a charitable cash contribution in excess of \$10,000, it is not subject to the reporting requirement since the funds were not received in the course of a trade or business.

Form 8822. Change of Address. Used to notify the IRS of a change in mailing address that occurs after the return is filed.

Form 8868. Application for Extension of Time To File an Exempt Organization Return.

Form 8870. Information Return for Transfers Associated With Certain Personal Benefit Contracts. Used to identify those personal benefit contracts for which funds were transferred to the organization, directly or indirectly, as well as the transferors for, and beneficiaries of, those contracts.

Form 8871. Political Organization Notice of Section 527 Status.

Form 8872. Political Organization Report of Contributions and Expenditures.

Form 8899. Notice of Income from Donated Intellectual Property. Used to report net income from qualified intellectual property to the IRS and the donor.

Form TD F 90-22.1. Report of Foreign Bank and Financial Accounts.

Publication 463. Travel, Entertainment, Gift, and Car Expenses.

Publication 525. Taxable and Nontaxable Income.

Publication 526. Charitable Contributions.

Publication 538. Accounting Periods and Methods.

Publication 598. Tax on Unrelated Business Income of Exempt Organizations.

Publication 910. IRS Guide to Free Tax Services.

Publication 946. How To Depreciate Property.

Publication 1771. Charitable Contributions—Substantiation and Disclosure Requirements.

E. Use of Form 990, or Form 990-EZ, To Satisfy State Reporting Requirements

Some states and local government units will accept a copy of Form 990, or Form 990-EZ, Schedule A (Form 990 or 990-EZ), and Schedule B (Form 990, 990-EZ, or 990-PF) in place of all or part of their own financial report forms. The substitution applies primarily to section 501(c)(3) organizations, but some of the other types of section 501(c) organizations are also affected.

If you use Form 990, or Form 990-EZ, to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following discussions.

Determine State Filing Requirements

You should consult the appropriate officials of all states and other jurisdictions in which the organization does business to determine their specific filing requirements. Doing business in a jurisdiction may include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that

jurisdiction; (d) maintaining a checking account; or (e) owning or renting property there.

Monetary Tests May Differ

Some or all of the dollar limitations applicable to Form 990, or Form 990-EZ, when filed with the IRS may not apply when using Form 990, or Form 990-EZ, in place of state or local report forms. Examples of the IRS dollar limitations that do not meet some state requirements are the \$25,000 gross receipts minimum that creates an obligation to file with the IRS (see the gross receipts discussion in *General Instruction B*) and the \$50,000 minimum for listing professional fees in Part II of Schedule A (Form 990 or 990-EZ).

Additional Information May Be Required

State or local filing requirements may require you to attach to Form 990, or Form 990-EZ, one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in net assets; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990, or Form 990-EZ, filed with the IRS.

Even if the Form 990, or Form 990-EZ, that the organization files with the IRS is accepted by the IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if required information is not provided, including any of the additional information discussed above, or if the state determines that the form was not completed by following the applicable Form 990, or Form 990-EZ, instructions or supplemental state instructions. If so, the organization may be asked to provide the missing information or to submit an amended return.

Use Of Audit Guides May Be Required

To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, grants, etc., and functional expenses be reported according to the AICPA industry audit and accounting guide, *Not-for-Profit Organizations* (New York, NY, AICPA, 2003), supplemented by *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations* (Washington, DC, National Health Council, Inc., 1998, 4th edition).

Donated Services And Facilities

Even though reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by the two publications named above, many states and the IRS do not permit the inclusion of those amounts in Parts I and II of Form 990 or Part I of Form 990-EZ. The optional reporting of donated services and facilities is discussed in the instructions for Part III for both Form 990 and Form 990-EZ.

Amended Returns

If the organization submits supplemental information or files an amended Form 990, or Form 990-EZ, with the IRS, it must also send a copy of the information or amended return to any state with which it filed a copy of Form 990, or Form 990-EZ, originally to meet that state's filing requirement.

If a state requires the organization to file an amended Form 990, or Form 990-EZ, to

correct conflicts with Form 990, or Form 990-EZ, instructions, it must also file an amended return with the IRS.

Method of Accounting

Most states require that all amounts be reported based on the accrual method of accounting. See also *General Instruction G*.

Time For Filing May Differ

The deadline for filing Form 990, or Form 990-EZ, with the IRS differs from the time for filing reports with some states.

Public Inspection

The Form 990, or Form 990-EZ, information made available for public inspection by the IRS may differ from that made available by the states. See the discussion of Schedule B (Form 990, 990-EZ, or 990-PF) in *General Instruction L*.

F. Other Forms as Partial Substitutes for Form 990 or Form 990-EZ

Except as provided below, the Internal Revenue Service will not accept any form as a substitute for one or more parts of Form 990 or Form 990-EZ.

Labor Organizations (section 501(c)(5))

A labor organization that files Form LM-2, Labor Organization Annual Report, or the shorter Form LM-3, Labor Organization Annual Report, with the U.S. Department of Labor (DOL) can attach a copy of the completed DOL form to Form 990, or Form 990-EZ, to provide some of the information required by Form 990 or Form 990-EZ. This substitution is not permitted if the organization files a DOL report that consolidates its financial statements with those of one or more separate subsidiary organizations.

Employee Benefit Plans (Section 501(c)(9), (17), or (18))

An employee benefit plan may be able to substitute Form 5500 for part of Form 990 or Form 990-EZ. The substitution can be made if the organization filing Form 990, or Form 990-EZ, and the plan filing Form 5500, meet all the following tests:

1. The Form 990, or Form 990-EZ, filer is organized under section 501(c)(9), (17), or (18);
2. The Form 990, or Form 990-EZ, filer and Form 5500 filer are identical for financial reporting purposes and have identical receipts, disbursements, assets, liabilities, and equity accounts;
3. The employee benefit plan does not include more than one section 501(c) organization, and the section 501(c) organization is not a part of more than one employee benefit plan;
4. The organization's accounting year and the employee plan year are the same. If they are not, you may want to change the organization's accounting year, as explained in *General Instruction G*, so it will coincide with the plan year.

Allowable Substitution Areas

Whether an organization files Form 990, or Form 990-EZ, for a labor organization or for an employee benefit plan, the areas of Form 990, or Form 990-EZ, for which other forms can be substituted are the same. These areas are:

Form 990.

- Lines 13 through 15 of Part I (but complete lines 16 through 21);
- Part II; and

- Part IV (but complete lines 59, 66, and 74, columns (A) and (B)).

Form 990-EZ.

- Lines 10 through 16 of Part I (but complete lines 17 through 21).
- Part II (but complete lines 25 through 27, columns (A) and (B)).

If an organization substitutes Form LM-2 or LM-3 for any of the Form 990, or Form 990-EZ, parts or line items mentioned above, it must attach a reconciliation sheet to show the relationship between the amounts on the DOL forms and the amounts on Form 990 or Form 990-EZ. This is particularly true of the relationship of disbursements shown on the DOL forms and the total expenses on line 17, Part I, of both Form 990 and Form 990-EZ. The organization must make this reconciliation because the cash disbursements section of the DOL forms includes nonexpense items. If the organization substitutes Form LM-2, be sure to complete its separate schedule of expenses.

G. Accounting Periods and Methods



For more information about these topics, see Pub. 538.

Accounting Periods

Calendar year. Use the 2005 Form 990, or Form 990-EZ, to report on the 2005 calendar year accounting period. A calendar year accounting period begins on January 1 and ends on December 31.

Fiscal year. If the organization has established a fiscal year accounting period, use the 2005 Form 990, or Form 990-EZ, to report on the organization's fiscal year that began in 2005 and ended 12 months later. A fiscal year accounting period should normally coincide with the natural operating cycle of the organization. Be certain to indicate in the heading of Form 990, or Form 990-EZ, the date the organization's fiscal year began in 2005 and the date the fiscal year ended in the year 2006.

Short period. A short accounting period is a period of less than 12 months.

If the Form 990, or Form 990-EZ, for the short year is not available until the subsequent year, use the prior year Form 990, or Form 990-EZ, to meet your filing requirement. Cross out the year on the form and show the short year.

Accounting period change. If the organization changes its accounting period, it must file a return on Form 990, or Form 990-EZ, for the short period resulting from the change. Write "Change of Accounting Period" at the top of this short-period return.

If the organization changed its accounting period within the 10-calendar-year period that includes the beginning of the short period, and it had a Form 990, or Form 990-EZ, filing requirement at any time during that 10-year period, it must also attach a Form 1128 to the short-period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

Group return. When affiliated organizations authorize their central organization to file a group return for them, the accounting period of the affiliated organizations and the central organization must be the same. See *General Instruction R*.

Accounting Methods

Unless instructed otherwise, the organization should generally use the same accounting method on the return to figure revenue and

expenses as it regularly uses to keep its books and records. To be acceptable for Form 990, or Form 990-EZ, reporting purposes, however, the method of accounting used must clearly reflect income.

Generally, the organization must file Form 3115 to change its accounting method. Notice 96-30, 1996-1 C.B. 378, provides relief from filing Form 3115 to section 501(c) organizations that change their method of accounting to comply with the provisions of SFAS 116, Accounting for Contributions Received and Contributions Made. In SFAS 116, the Financial Accounting Standards Board revised certain generally accepted accounting principles relating to contributions received and contributions awarded by not-for-profit organizations.

A not-for-profit organization that changes its method of accounting for federal income tax purposes to conform to the method provided in SFAS 116 should report any adjustment required by section 481(a) on line 20 of Form 990, or Form 990-EZ, as a net asset adjustment made during the year the change is made. The adjustment should be identified as the effect of changing to the method provided in SFAS 116. The beginning of year statement of financial position (balance sheet) should not be restated to reflect any prior period adjustments.

State reporting. If the organization prepares Form 990, or Form 990-EZ, for state reporting purposes, it may file an identical return with the IRS even though the return does not agree with the books of account, unless the way one or more items are reported on the state return conflicts with the instructions for preparing Form 990, or Form 990-EZ, for filing with the IRS.

Example 1. The organization maintains its books on the cash receipts and disbursements method of accounting but prepares a state return based on the accrual method. It could use that return for reporting to the IRS.

Example 2. A state reporting requirement requires the organization to report certain revenue, expense, or balance sheet items differently from the way it normally accounts for them on its books. A Form 990, or Form 990-EZ, prepared for that state is acceptable for the IRS reporting purposes if the state reporting requirement does not conflict with the Form 990, or Form 990-EZ, instructions.

An organization should keep a reconciliation of any differences between its books of account and the Form 990, or Form 990-EZ, that is filed.

Most states that accept Form 990, or Form 990-EZ, in place of their own forms require that all amounts be reported based on the accrual method of accounting. For further information, see *General Instruction E*.

H. When and Where To File

File Form 990, or Form 990-EZ, by the 15th day of the 5th month after the organization's accounting period ends. If the regular due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after the liquidation, dissolution, or termination.

If the return is not filed by the due date (including any extension granted), attach a statement giving the reasons for not filing on time.

Send the return to the:
Internal Revenue Service Center
Ogden, UT 84201-0027

Private delivery services. You can use certain private delivery services designated by the IRS to meet the timely mailing as timely filing/paying rule for tax returns and payments. These private delivery services include only the following.

- DHL Express (DHL): DHL "Same Day" Service, DHL Next Day 10:30 AM, DHL Next Day 12:00 PM, DHL Next Day 3:00 PM, and DHL 2nd Day Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.

Electronic Filing

You can file Form 990, or Form 990-EZ, and related forms, schedules, and attachments electronically. However, if an organization files at least 250 returns during the calendar year and has total assets of \$100 million or more at the end of the tax year, it must file Form 990 electronically.

If an organization is required to file a return electronically but does not, the organization is considered to have not filed its return. See Temporary Regulations section 301.6033-4T for more information.

For additional information on the electronic filing requirement visit www.irs.gov/efile.



The IRS may waive the requirements to file electronically in cases of undue hardship. For information on filing a waiver, see Notice 2005-88, which is on page 1060 of Internal Revenue Bulletin 2005-48.

I. Extension of Time To File

Use Form 8868 to request an automatic 3-month extension of time to file. Use Form 8868 also to apply for an additional (not automatic) 3-month extension if the original 3 months was not enough time. To obtain this additional extension of time to file, you must show reasonable cause for the additional time requested. See the Instructions for Form 8868.

J. Amended Return / Final Return

To change the organization's return for any year, file a new return including any required attachments. Use the revision of Form 990, or Form 990-EZ, applicable to the year being amended. The amended return must provide all the information called for by the form and instructions, not just the new or corrected information. Check the *Amended return* box in the heading of the return.

The organization may file an amended return at any time to change or add to the information reported on a previously filed return for the same period. It must make the amended return available for public inspection for 3 years from the date of filing or 3 years from the date the original return was due, whichever is later.

The organization must also send a copy of the information or amended return to any state with which it filed a copy of Form 990, or Form 990-EZ, originally to meet that state's filing requirement.

Use Form 4506 to obtain a copy of a previously filed return. For information on getting blank tax forms, see *General Instruction D*.

If the return is a final return, see the *Specific Instructions* for Form 990 for line 79, Part VI. For Form 990-EZ, see the *Specific Instructions* for line 36, Part V.

K. Penalties

Against the Organization

Under section 6652(c)(1)(A), a penalty of \$20 a day, not to exceed the smaller of \$10,000 or 5% of the gross receipts of the organization for the year, may be charged when a return is filed late, unless the organization can show that the late filing was due to reasonable cause. Organizations with annual gross receipts exceeding \$1 million are subject to a penalty of \$100 for each day the failure continues (with a maximum penalty with respect to any one return of \$50,000). The penalty begins on the due date for filing the Form 990 or Form 990-EZ.

The penalty may also be charged if the organization files an incomplete return. To avoid having to supply missing information later, be sure to complete all applicable line items; answer "Yes," "No," or "N/A" (not applicable) to each question on the return; make an entry (including a zero when appropriate) on all total lines; and enter "None" or "N/A" if an entire part does not apply.

Also, this penalty may be imposed if the organization's return contains incorrect information. For example, an organization that reports contributions net of related fundraising expenses may be subject to this penalty.

Use of a paid preparer does not relieve the organization of its responsibility to file a complete and accurate return.

Against Responsible Person(s)

If the organization does not file a complete return or does not furnish correct information, the IRS will send the organization a letter that includes a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of \$10 a day. The maximum penalty on all persons for failures with respect to any one return shall not exceed \$5,000 (section 6652(c)(1)(B)(ii)).

Any person who does not comply with the public inspection requirements, as discussed in *General Instruction M*, will be assessed a penalty of \$20 for each day that inspection was not permitted, up to a maximum of \$10,000 for each return. The penalties for failure to comply with the public inspection requirements for applications is the same as those for annual returns, except that the \$10,000 limitation does not apply (sections 6652(c)(1)(C) and (D)). Any person who willfully fails to comply with the public inspection requirements for annual returns or exemption applications will be subject to an additional penalty of \$5,000 (section 6685).

There are also penalties (fines and imprisonment) for willfully not filing returns and for filing fraudulent returns and statements with the IRS (sections 7203, 7206, and 7207). States may impose additional penalties for failure to meet their separate filing requirements. See also the discussion of the *Trust Fund Recovery Penalty*, under *General Instruction D*.

L. Contributions

Schedule B (Form 990, 990-EZ, or 990-PF)

Schedule B (Form 990, 990-EZ, or 990-PF), generally, is a required attachment for the Form 990, 990-EZ, or 990-PF, and is used to report on tax-deductible and non-tax-deductible contributions. See the Instructions for Schedule B for the public inspection rules applicable to that form. See also the Specific Instructions for both Form 990 and Form 990-EZ, under *Completing the Heading* . . . where the instructions are keyed to items in the heading of Form 990 or Form 990-EZ.

Solicitations of Nondeductible Contributions

Any fundraising solicitation by or on behalf of any section 501(c) or 527 organization that is not eligible to receive contributions deductible as charitable contributions for federal income tax purposes must include an explicit statement that contributions or gifts to it are not deductible as charitable contributions. The statement must be in an easily recognizable format whether the solicitation is made in written or printed form, by television or radio, or by telephone. This provision applies only to those organizations whose annual gross receipts are normally more than \$100,000 (section 6113 and Notice 88-120, 1988-2 C.B. 454).

Failure to disclose that contributions are not deductible could result in a penalty of \$1,000 for each day on which a failure occurs. The maximum penalty for failures by any organization, during any calendar year, shall not exceed \$10,000. In cases where the failure to make the disclosure is due to intentional disregard of the law, more severe penalties apply. No penalty will be imposed if the failure is due to reasonable cause (section 6710).

Keeping Fundraising Records for Tax-Deductible Contributions

Section 501(c) organizations that are eligible to receive tax-deductible contributions under section 170(c) of the Code must keep sample copies of their fundraising materials, such as:

- Dues statements,
- Fundraising solicitations,
- Tickets,
- Receipts, or
- Other evidence of payments received in connection with fundraising activities.

| IF . . . | THEN . . . |
|--|---|
| Organizations advertise their fundraising events, | They must keep samples of the advertising copy. |
| Organizations use radio or television to make their solicitations, | They must keep samples of: <ul style="list-style-type: none">• Scripts,• Transcripts, or• Other evidence of on-air solicitations. |
| Organizations use outside fundraisers, | They must keep samples of the fundraising materials used by the outside fundraisers. |

For each fundraising event, organizations must keep records to show the portion of any payment received from patrons that is not deductible; that is, the retail value of the goods

or services received by the patrons. See *Disclosure statement for quid pro quo contributions* below.

Noncash Contributions

See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF).

If the organization received a partially completed Form 8283 from a donor, complete it and return it so the donor can get a charitable contribution deduction. Keep a copy for your records. See also the reference to Form 8282 in *General Instruction D*.

Qualified intellectual property. An organization described in section 170(c) (except a private foundation) that receives or accrues net income from a qualified intellectual property contribution must file Form 8899. The organization must file the return for any tax year that includes any part of the 10-year period beginning on the date of contribution but not for any tax years in which the legal life of the qualified intellectual property has expired or the property failed to produce net income.

An organization (donee) reports all income from donated qualified intellectual property as income other than contributions (for example, royalty income from a patent). Charities are not required to report as contributions any of the additional deductions claimed by donors under the new section 170(m)(1). Likewise, these additional deductions are not required to be reported on Schedule B (Form 990, 990-EZ, or 990-PF) and donees are not required to comply with the substantiation requirements of section 170(f)(8) with regard to any donor's additional deductions. See Pub. 526.

Motor vehicles, boats, and airplanes.

Special rules apply to charitable contributions of motor vehicles, boats, or airplanes with a claimed value of more than \$500. See section 170(f)(12) and the Instructions for Form 1098-C.

Substantiation and Disclosure Requirements for Charitable Contributions

Acknowledgment to substantiate charitable contributions. An organization (donee) should be aware that a donor of a charitable contribution of \$250 or more cannot take an income tax deduction unless the donor obtains the organization's acknowledgment to substantiate the charitable contribution.

The organization's acknowledgment must:

1. Be written.
2. Be contemporaneous.
3. State the amount of any cash it received.
4. State:
 - a. Whether the organization gave the donor any intangible religious benefits (no valuation needed).
 - b. Whether or not the organization gave the donor any goods or services in return for the donor's contribution (a quid pro quo contribution).
5. Describe goods or services the organization:
 - a. Received (no valuation needed).
 - b. Gave (good faith estimate needed).

Exception. An organization need not make a good faith estimate of a quid pro quo contribution if the goods or services given to a donor are:

- Insubstantial in value.
- Certain membership benefits for \$75 or less per year. See *Certain membership benefits*, later.
- Certain goods or services given to the donor's employees or partners.

Disclosure statement for quid pro quo contributions. If the organization receives a quid pro quo contribution of more than \$75, an organization must provide a disclosure statement to the donor. The organization's disclosure statement must:

1. Be written.
2. Estimate in good faith the organization's goods or services given in return for donor's contribution.
3. Describe, but need not value, certain goods or services given donor's employees or partners.
4. Inform the donor that a deductible charitable contribution deduction is limited as follows:

Donor's contribution
Less

Organization's money, and goods or services
given in return

Equals

Donor's deductible charitable contribution.

Exception: No disclosure statement is required if the organization gave the following.

1. Goods or services of insubstantial value.
2. Certain membership benefits.
3. An intangible religious benefit.

See Regulations sections 1.170A-1, 1.170A-13, and 1.6115-1.

Certain goods or services disregarded for substantiation and disclosure purposes.

Goods or services with insubstantial value. Generally, under section 170, the deductible amount of a contribution is determined by taking into account the fair market value, not the cost to the charity, of any benefits received in return. However, the cost to the charity may be used in determining whether the benefits are insubstantial. See below.

Cost basis. If a taxpayer makes a payment of \$41.50 or more to a charity and receives only token items in return, the items have insubstantial value if they:

- Bear the charity's name or logo, and
- Have an aggregate cost to the charity of \$8.30 or less (low-cost article amount of section 513(h)(2)).

Fair market value basis. If a taxpayer makes a payment to a charitable organization in a fundraising campaign and receives benefits with a fair market value of not more than 2% of the amount of the payment, or \$83, whichever is less, the benefits received have insubstantial value in determining the taxpayer's contribution.

TIP The dollar amounts given above are applicable to tax year 2005 under Rev. Proc. 2004-71, 2004-50 I.R.B. 970 (and other successor documents). They are adjusted annually for inflation.

When a donee organization provides a donor only with goods or services having insubstantial value under Rev. Proc. 2004-71, 2004-50 I.R.B. 970 (and any successor documents), the contemporaneous written acknowledgment may indicate that no goods or services were provided in exchange for the donor's payment.

Certain membership benefits. Other goods or services that are disregarded for substantiation and disclosure purposes are annual membership benefits offered to a taxpayer in exchange for a payment of \$75 or less per year that consist of:

1. Any rights or privileges that the taxpayer can exercise frequently during the membership period such as:

- a. Free or discounted admission to the organization's facilities or events,
 - b. Free or discounted parking.
2. Admission to events that are:
- a. Open only to members, and are, per person,
 - b. Within the *low-cost article* limitation.

Examples.

1. E offers a basic membership benefits package for \$75. The package gives members the right to buy tickets in advance, free parking, and a gift shop discount of 10%. E's \$150 preferred membership benefits package also includes a \$20 poster. Both the basic and preferred membership packages are for a 12-month period and include about 50 productions. E offers F, a patron of the arts, the preferred membership benefits in return for a payment of \$150 or more. F accepts the preferred membership benefits package for \$300. E's written acknowledgment satisfies the substantiation requirement if it describes the poster, gives a good faith estimate of its fair market value (\$20), and disregards the remaining membership benefits.

2. If F received only the basic membership package for its \$300 payment, E's acknowledgment need state only that no goods or services were provided.

3. G Theater Group performs four plays. Each play is performed twice. Nonmembers can purchase a ticket for \$15. For a \$60 membership fee, however, members are offered free admission to any of the performances. H makes a payment of \$350 and accepts this membership benefit. Because of the limited number of performances, the membership privilege cannot be exercised frequently. Therefore, G's acknowledgment must describe the free admission benefit and estimate its value in good faith.

Certain goods or services provided to donor's employees or partners. Certain goods or services provided to employees or partners of donors may be disregarded for substantiation and disclosure purposes. Describe such goods or services. A good faith estimate is not needed.

Example. Museum J offers a basic membership benefits package for \$40. It includes free admission and a 10% gift shop discount. Corporation K makes a \$50,000 payment to J and in return, J offers K's employees free admission, a tee shirt with J's logo that costs J \$4.50, and a 25% gift shop discount. Because the free admission is offered in both benefit packages and the value of the tee shirts is insubstantial, K's written acknowledgment need not value the free admission benefit or the tee shirts. However, because the 25% gift shop discount to K's employees differs from the 10% discount offered in the basic membership benefits package, K's written acknowledgment must describe the 25% discount, but need not estimate its value.

Definitions.

Substantiation. It is the responsibility of the donor:

- To value a donation, and
- To obtain an organization's written acknowledgment substantiating the donation.

There is no prescribed format for the organization's written acknowledgment of a donation. Letters, postcards, or computer-generated forms may be acceptable. The acknowledgment must, however, provide

sufficient information to substantiate the amount of the deductible contribution.

The organization may either provide:

- Separate statements for each contribution of \$250 or more, or
- Furnish periodic statements substantiating contributions of \$250 or more.

Separate contributions of less than \$250 are not subject to the requirements of section 170(f)(8), regardless of whether the sum of the contributions made by a taxpayer to a donee organization during a tax year equals \$250 or more.

Contemporaneous. A written acknowledgment is contemporaneous if the donor obtains it on or before the earlier of:

- The date the donor files the original return for the tax year in which the contribution was made; or
- The due date (including extensions) for filing the donor's original return for that year.

Substantiation of payroll contributions. An organization may substantiate a payroll contribution by:

- A pay stub, Form W-2, or other document showing a contribution to a donee organization; and
- A pledge card or other document from the donee organization stating that organization provides no goods or services for any payroll contributions.

The amount withheld from each payment of wages to a taxpayer is treated as a separate contribution.

Substantiation of payments to a college or university for the right to purchase tickets to athletic events. The right to purchase tickets for an athletic event is valued at 20% of the payment.

Example. When a taxpayer pays \$312.50 for the right to purchase tickets for an athletic event, the right is valued at \$62.50. The remaining \$250 is a charitable contribution that the taxpayer must substantiate.

Substantiation of matched payments. If a taxpayer's payment to a donee organization is matched by another payor, and the taxpayer receives goods or services in consideration for its payment and some or all of the matching payment, those goods or services will be treated as provided in consideration for the taxpayer's payment and not in consideration for the matching payment.

Disclosure statement. An organization must provide a written disclosure statement to donors who make a payment, described as a quid pro quo contribution, in excess of \$75 (section 6115). This requirement is separate from the written substantiation acknowledgment a donor needs for deductibility purposes. While, in certain circumstances, an organization may be able to meet both requirements with the same written document, an organization must be careful to satisfy the section 6115 written disclosure statement requirement in a timely manner because of the penalties involved.

Quid pro quo contribution. A quid pro quo contribution is a payment that is given both as a contribution and as a payment for goods or services provided by the donee organization.

Example. A donor gives a charity \$100 in consideration for a concert ticket valued at \$40 (a quid pro quo contribution). In this example, \$60 would be deductible. Because the donor's payment exceeds \$75, the organization must furnish a disclosure statement even though the taxpayer's deductible amount does not exceed \$75. Separate payments of \$75 or less made at different times of the year for separate

fundraising events will not be aggregated for purposes of the \$75 threshold.

Good faith estimate. An organization may use any reasonable method in making a good faith estimate of the value of goods or services provided by an organization in consideration for a taxpayer's payment to that organization. A good faith estimate of the value of goods or services that are not generally available in a commercial transaction may be determined by reference to the fair market value of similar or comparable goods or services. Goods or services may be similar or comparable even though they do not have the unique qualities of the goods or services that are being valued.

Goods or services. Goods or services mean:

- Cash,
- Property,
- Services,
- Benefits, and
- Privileges.

In consideration for. A donee organization provides goods or services in consideration for a taxpayer's payment if, at the time the taxpayer makes the payment to the donee organization, the taxpayer receives, or expects to receive, goods or services in exchange for that payment.

Goods or services a donee organization provides in consideration for a payment by a taxpayer include goods or services provided in a year other than the year in which the donor makes the payment to the donee organization.

Intangible religious benefits. Intangible religious benefits must be provided by organizations organized exclusively for religious purposes. Examples include:

- Admission to a religious ceremony, and
- *De minimis* tangible benefits, such as wine, provided in connection with a religious ceremony.

Distributing organization as donee. An organization described in section 170(c), or an organization described as a Principal Combined Fund Organization for purposes of the Combined Federal Campaign, that receives a payment made as a contribution is treated as a donee organization even if the organization distributes the amount received to one or more organizations described in section 170(c).

Penalties. A charity that knowingly provides a false substantiation acknowledgment to a donor may be subject to the penalties under section 6701 for aiding and abetting an understatement of tax liability.

Charities that fail to provide the required disclosure statement for a quid pro quo contribution of more than \$75 will incur a penalty of \$10 per contribution, not to exceed \$5,000 per fundraising event or mailing. The charity may avoid the penalty if it can show that the failure was due to reasonable cause (section 6714).

M. Public Inspection of Returns, etc.

Through the IRS

Use Form 4506-A to request:

- A copy of an exempt or political organization's return, report, notice, or exemption application;
- An inspection of a return, report, notice, or exemption application at an IRS office.

The IRS can provide copies of exempt organization returns on a compact disk (CD-ROM). Requesters can order the complete set (all Forms 990 and 990-EZ or all Forms

990-PF filed for a year) or a partial set by state or by month. For more information on the cost and how to order CD-ROMs, call the TEGE Customer Account Services toll-free number (1-877-829-5500) or write to the IRS in Cincinnati, OH, at the address in *General Instruction A*.

The IRS may not disclose portions of an exemption application relating to any trade secrets, etc. Additionally, the IRS may not disclose the names and addresses of contributors. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF) for more information about the disclosure of that schedule.

You can only request Forms 990 or 990-EZ for section 527 organizations for tax years beginning after June 30, 2000.

You may inspect a return, report, notice, or exemption application at an IRS office free of charge. You may also obtain a copy of these items through the organization as discussed in the following section.

Through the Organization

Public inspection and distribution of returns and reports for a political organization.

Section 527 political organizations required to file Form 990, or Form 990-EZ, must, in general, make their Form 8871, 8872, 990, or 990-EZ available for public inspection in the same manner as annual information returns of section 501(c) organizations and 4947(a)(1) nonexempt charitable trusts are made available. See the public inspection rules for *Tax-exempt organizations*, later. Generally, Form 8871 and Form 8872 are available for inspection and printing from the Internet. The website address for both of these forms is <http://eforms.irs.gov>.



Note that a section 527 political organization (and an organization filing Form 990-PF) must disclose their Schedule B (Form 990, 990-EZ, or 990-PF). See the Instructions for Schedule B.

The penalties discussed in *General Instruction K* also apply to section 527 political organizations (Rev. Rul. 2003-49, 2003-204 I.R.B. 903).

Public inspection and distribution of applications for tax exemption and annual information returns of tax-exempt organizations.

Under Regulations sections 301.6104(d)-1 through 301.6104(d)-3, a tax-exempt organization must:

- Make its application for recognition of exemption and its annual information returns available for public inspection without charge at its principal, regional and district offices during regular business hours.
- Make each annual information return available for a period of 3 years beginning on the date the return is required to be filed (determined with regard to any extension of time for filing) or is actually filed, whichever is later.
- Provide a copy without charge, other than a reasonable fee for reproduction and actual postage costs, of all or any part of any application or return required to be made available for public inspection to any individual who makes a request for such copy in person or in writing (except as provided in Regulations sections 301.6104(d)-2 and -3).

Definitions.

Tax-exempt organization is any organization that is described in section 501(c) or (d) and is exempt from taxation under section 501(a). The term tax-exempt organization also includes any section 4947(a)(1) nonexempt charitable trust or

nonexempt private foundation that is subject to the reporting requirements of section 6033.

Application for tax exemption includes:

- Any prescribed application form (such as Form 1023 or Form 1024),
- All documents and statements the IRS requires an applicant to file with the form,
- Any statement or other supporting document submitted in support of the application, and
- Any letter or other document issued by the IRS concerning the application.

Application for tax exemption does not include:

- Any application for tax exemption filed before July 15, 1987, unless the organization filing the application had a copy of the application on July 15, 1987;
- In the case of a tax-exempt organization other than a private foundation, the name and address of any contributor to the organization; or
- Any material that is not available for public inspection under section 6104.



If there is no prescribed application form, see Regulations section 301.6104(d)-1(b)(4)(i).

Annual information return includes:

- An exact copy of the Form 990, or Form 990-EZ filed by a tax-exempt organization as required by section 6033.
- Any amended return the organization files with the IRS after the date the original return is filed.

The copy must include all information furnished to the IRS on Form 990, or Form 990-EZ, as well as all schedules, attachments and supporting documents, except for the name and address of any contributor to the organization. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF).

Annual returns more than 3 years old.

An annual information return does not include any return after the expiration of 3 years from the date the return is required to be filed (including any extension of time that has been granted for filing such return) or is actually filed, whichever is later.

If an organization files an amended return, however, the amended return must be made available for a period of 3 years beginning on the date it is filed with the IRS.

Local or subordinate organizations. For rules relating to annual information returns of local or subordinate organizations, see Regulations section 301.6104(d)-1(f)(2).

Regional or district offices. A regional or district office is any office of a tax-exempt organization, other than its principal office, that has paid employees, whether part-time or full-time, whose aggregate number of paid hours a week are normally at least 120.

A site is not considered a regional or district office, however, if:

- The only services provided at the site further exempt purposes (such as day care, health care or scientific or medical research); and
- The site does not serve as an office for management staff, other than managers who are involved solely in managing the exempt function activities at the site.

Special rules relating to public inspection.

Permissible conditions on public inspection.

A tax-exempt organization:

- May have an employee present in the room during an inspection.
- Must allow the individual conducting the inspection to take notes freely during the inspection.

- Must allow the individual to photocopy the document at no charge, if the individual provides photocopying equipment at the place of inspection.

Organizations that do not maintain permanent offices.

A tax-exempt organization with no permanent office:

- Must make its application for tax exemption and its annual information returns available for inspection at a reasonable location of its choice.
- Must permit public inspection within a reasonable amount of time after receiving a request for inspection (normally not more than 2 weeks) and at a reasonable time of day.
- May mail, within 2 weeks of receiving the request, a copy of its application for tax exemption and annual information returns to the requester instead of allowing an inspection.
- May charge the requester for copying and actual postage costs only if the requester consents to the charge.

An organization that has a permanent office, but has no office hours, or very limited hours during certain times of the year, must make its documents available during those periods when office hours are limited, or not available, as though it were an organization without a permanent office.

Special rules relating to copies.

Time and place for providing copies in response to requests made in-person. A tax-exempt organization must:

- Provide copies of required documents under section 6104(d) in response to a request made in person at its principal, regional and district offices during regular business hours.
- Provide such copies to a requester on the day the request is made, except for unusual circumstances (see below).

Unusual circumstances. In the case of an in-person request, where unusual circumstances exist so that fulfilling the request on the same business day causes an unreasonable burden to the tax-exempt organization, the organization must provide the copies no later than the next business day following the day that the unusual circumstances cease to exist, or the 5th business day after the date of the request, whichever occurs first.

Unusual circumstances include:

- Requests received that exceed the organization's daily capacity to make copies;
- Requests received shortly before the end of regular business hours that require an extensive amount of copying; or
- Requests received on a day when the organization's managerial staff capable of fulfilling the request is conducting special duties, such as student registration or attending an off-site meeting or convention, rather than its regular administrative duties.

Agents for providing copies. For rules relating to use of agents to provide copies, see Regulations sections 301.6104(d)-1(d)(1) and (2).

Request for copies in writing. A tax-exempt organization must honor a written request for a copy of documents (or the requested part) required under section 6104(d) if the request:

1. Is addressed to, and delivered by mail, electronic mail, facsimile, or a private delivery service, as defined in section 7502(f), to a principal, regional, or district office of the organization; and
2. Sets forth the address to which the copy of the documents should be sent.

Time and manner of fulfilling written requests.

| IF the organization | THEN the organization |
|--|--|
| Receives a written request for a copy, | Must mail the copy of the requested documents (or the requested parts) within 30 days from the date it receives the request. |
| Mails the copy of the requested document, | Is deemed to have provided the copy on the postmark date or private delivery mark (if sent by certified or registered mail, the date of registration or the date of the postmark on the sender's receipt). |
| Requires payment in advance, | Is required to provide the copies within 30 days from the date it receives payment. |
| Receives a request or payment by mail, | Is deemed to have received it 7 days after the date of the postmark, absent evidence to the contrary. |
| Receives a request transmitted by electronic mail or facsimile, | Is deemed to have received it the day the request is transmitted successfully. |
| Receives a written request without payment or with an insufficient payment, when payment in advance is required, | Must notify the requester of the prepayment policy and the amount due within 7 days from the date of the request's receipt. |
| Receives consent from an individual making a request, | May provide a copy of the requested document exclusively by electronic mail (the material is provided on the date the organization successfully transmits the electronic mail). |

Request for a copy of parts of a document. A tax-exempt organization must fulfill a request for a copy of the organization's entire application for tax exemption or annual information return or any specific part or schedule of its application or return. A request for a copy of less than the entire application or less than the entire return must specifically identify the requested part or schedule.

Fees for copies. A tax-exempt organization may charge a reasonable fee for providing copies.

Before the organization provides the documents, it may require that the individual requesting copies of the documents pay the fee. If the organization has provided an individual making a request with notice of the fee, and the individual does not pay the fee within 30 days, or if the individual pays the fee by check and the check does not clear upon deposit, the organization may disregard the request.

Form of payment—(A) Request made in person. If a tax-exempt organization charges a fee for copying, it must accept payment by cash and money order for requests made in person. The organization may accept other

forms of payment, such as credit cards and personal checks.

(B) Request made in writing. If a tax-exempt organization charges a fee for copying and postage, it must accept payment by certified check, money order, and either personal check or credit card for requests made in writing. The organization may accept other forms of payment.

Avoidance of unexpected fees. Where a tax-exempt organization does not require prepayment and a requester does not enclose payment with a request, an organization must receive consent from a requester before providing copies for which the fee charged for copying and postage exceeds \$20.

Documents to be provided by regional and district offices. Except as otherwise provided, a regional or district office of a tax-exempt organization must satisfy the same rules as the principal office with respect to allowing public inspection and providing copies of its application for tax exemption and annual information returns.

A regional or district office is not required, however, to make its annual information return available for inspection or to provide copies until 30 days after the date the return is required to be filed (including any extension of time that is granted for filing such return) or is actually filed, whichever is later.

Documents to be provided by local and subordinate organizations.

Applications for tax exemption. Except as otherwise provided, a tax-exempt organization that did not file its own application for tax exemption (because it is a local or subordinate organization covered by a group exemption letter) must, upon request, make available for public inspection, or provide copies of, the application submitted to the IRS by the central or parent organization to obtain the group exemption letter and those documents which were submitted by the central or parent organization to include the local or subordinate organization in the group exemption letter.

However, if the central or parent organization submits to the IRS a list or directory of local or subordinate organizations covered by the group exemption letter, the local or subordinate organization is required to provide only the application for the group exemption ruling and the pages of the list or directory that specifically refer to it. The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day. See Regulations section 301.6104(d)-1(f) for further information.

Annual information returns. A local or subordinate organization that does not file its own annual information return (because it is affiliated with a central or parent organization that files a group return) must, upon request, make available for public inspection, or provide copies of, the group returns filed by the central or parent organization.

However, if the group return includes separate schedules with respect to each local or subordinate organization included in the group return, the local or subordinate organization receiving the request may omit any schedules relating only to other organizations included in the group return.

The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more

than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day.

In a case where the requester seeks inspection, the local or subordinate organization may mail a copy of the applicable documents to the requester within the same time period instead of allowing an inspection. In such a case, the organization may charge the requester for copying and actual postage costs only if the requester consents to the charge.

If the local or subordinate organization receives a written request for a copy of its annual information return, it must fulfill the request by providing a copy of the group return in the time and manner specified in the paragraph earlier, *Request for copies in writing*.

The requester has the option of requesting from the central or parent organization, at its principal office, inspection or copies of group returns filed by the central or parent organization. The central or parent organization must fulfill such requests in the time and manner specified in the paragraphs, *Special rules relating to public inspection* and *Special rules relating to copies* earlier.

Failure to comply. If an organization fails to comply with the requirements specified in this paragraph, the penalty provisions of sections 6652(c)(1)(C), 6652(c)(1)(D), and 6685 apply.

Making applications and returns widely available. A tax-exempt organization is not required to comply with a request for a copy of its application for tax exemption or an annual information return if the organization has made the requested document widely available (see below).

An organization that makes its application for tax exemption and/or annual information return widely available must nevertheless make the document available for public inspection as required under Regulations section 301.6104(d)-1(a).

A tax-exempt organization makes its application for tax exemption and/or an annual information return widely available if the organization complies with the Internet posting requirements and the notice requirements given below.

Internet posting. A tax-exempt organization can make its application for tax exemption and/or an annual information return widely available by posting the document on a World Wide Web page that the tax-exempt organization establishes and maintains or by having the document posted, as part of a database of similar documents of other tax-exempt organizations, on a World Wide Web page established and maintained by another entity. The document will be considered widely available only if:

- The World Wide Web page through which it is available clearly informs readers that the document is available and provides instructions for downloading it;
- The document is posted in a format that, when accessed, downloaded, viewed and printed in hard copy, exactly reproduces the image of the application for tax exemption or annual information return as it was originally filed with the IRS, except for any information permitted by statute to be withheld from public disclosure; and
- Any individual with access to the Internet can access, download, view and print the document without special computer hardware or software required for that format (other than software that is readily available to members of the public without payment of any fee) and

without payment of a fee to the tax-exempt organization or to another entity maintaining the World Wide Web page.

Reliability and accuracy. In order for the document to be widely available through an Internet posting, the entity maintaining the World Wide Web page must have procedures for ensuring the reliability and accuracy of the document that it posts on the page and must take reasonable precautions to prevent alteration, destruction or accidental loss of the document when posted on its page. In the event that a posted document is altered, destroyed or lost, the entity must correct or replace the document.

Notice requirement. If a tax-exempt organization has made its application for tax exemption and/or an annual information return widely available, it must notify any individual requesting a copy where the documents are available (including the address on the World Wide Web, if applicable). If the request is made in person, the organization must provide such notice to the individual immediately. If the request is made in writing, the notice must be provided within 7 days of receiving the request.

Tax-exempt organization subject to harassment campaign. If the Director EO Examination (or designee) determines that the organization is being harassed, a tax-exempt organization is not required to comply with any request for copies that it reasonably believes is part of a harassment campaign.

Whether a group of requests constitutes a harassment campaign depends on the relevant facts and circumstances such as:

A sudden increase in requests; an extraordinary number of requests by form letters or similarly worded correspondence; hostile requests; evidence showing bad faith or deterrence of the organization's exempt purpose; prior provision of the requested documents to the purported harassing group; and a demonstration that the organization routinely provides copies of its documents upon request.

A tax-exempt organization may disregard any request for copies of all or part of any document beyond the first two received within any 30-day period or the first four received within any 1-year period from the same individual or the same address, regardless of whether the Director EO Examination (or designee) has determined that the organization is subject to a harassment campaign.

A tax-exempt organization may apply for a determination that it is the subject of a harassment campaign and that compliance with requests that are part of the campaign would not be in the public interest by submitting a signed application to the Director EO Examination (or designee) for the area where the organization's principal office is located.

In addition, the organization may suspend compliance with any request it reasonably believes to be part of the harassment campaign until it receives a response to its application for a harassment campaign determination. However, if the Director EO Examination (or designee) determines that the organization did not have a reasonable basis for requesting a determination that it was subject to a harassment campaign or reasonable belief that a request was part of the campaign, the officer, director, trustee, employee, or other responsible individual of the organization remains liable for any penalties for not providing the copies in a timely fashion. See Regulations section 301.6104(d)-3.

N. Disclosures Regarding Certain Information and Services Furnished

A section 501(c) organization that offers to sell or solicits money for specific information or a routine service for any individual that could be obtained by such individual from a federal government agency free or for a nominal charge must disclose that fact conspicuously when making such offer or solicitation. Any organization that intentionally disregards this requirement will be subject to a penalty for each day on which the offers or solicitations are made. The penalty imposed for a particular day is the greater of \$1,000 or 50% of the total cost of the offers and solicitations made on that day that lacked the required disclosure (section 6711).

O. Disclosures Regarding Certain Transactions and Relationships

In their annual returns on Schedule A (Form 990 or 990-EZ), section 501(c)(3) organizations must disclose information regarding their direct or indirect transfers to, and other direct or indirect relationships with, other section 501(c) organizations (except other section 501(c)(3) organizations) or section 527 political organizations (section 6033(b)(9)). This provision helps prevent the diversion or expenditure of a section 501(c)(3) organization's funds for purposes not intended by section 501(c)(3). All section 501(c)(3) organizations must maintain records regarding all such transfers, transactions, and relationships. See also *General Instruction K* regarding penalties.

P. Intermediate Sanction Regulations—Excess Benefit Transactions

The intermediate sanction regulations are important to the exempt organization community as a whole, and for ensuring compliance in this area. The rules provide a roadmap by which an organization may steer clear of situations that may give rise to inurement.

Under section 4958, any disqualified person who benefits from an excess benefit transaction with an applicable tax-exempt organization is liable for a 25% tax on the excess benefit. The disqualified person is also liable for a 200% tax on the excess benefit if the excess benefit is not corrected by a certain date. Also, organization managers who participate in an excess benefit transaction knowingly, willfully, and without reasonable cause are liable for a 10% tax on the excess benefit, not to exceed \$10,000 for all participating managers on each transaction.

Applicable Tax-Exempt Organization

These rules only apply to certain applicable section 501(c)(3) and 501(c)(4) organizations. An *applicable tax-exempt organization* is a section 501(c)(3) or a section 501(c)(4) organization that is tax-exempt under section 501(a), or was such an organization at any time during a 5-year period ending on the day of the excess benefit transaction.

An applicable tax-exempt organization does not include:

- A private foundation as defined in section 509(a).
- A governmental entity that is exempt from (or not subject to) taxation without regard to section 501(a) or relieved from filing an annual

return under Regulations section 1.6033-2(g)(6).

- Certain foreign organizations.

An organization is not treated as a section 501(c)(3) or 501(c)(4) organization for any period covered by a final determination that the organization was not tax-exempt under section 501(a), so long as the determination was not based on private inurement or one or more excess benefit transactions.

Disqualified Person

The vast majority of section 501(c)(3) or 501(c)(4) organization employees and contractors will not be affected by these rules. Only the few influential persons within these organizations are covered by these rules when they receive benefits, such as compensation, fringe benefits, or contract payments. The IRS calls this class of covered individuals disqualified persons. A *disqualified person*, regarding any transaction, is any person who was in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization at any time during a 5-year period ending on the date of the transaction. Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization. This would include, for example, voting members of the governing body, and persons holding the power of:

- Presidents, chief executive officers, or chief operating officers.
- Treasurers and chief financial officers.

A disqualified person also includes certain family members of a disqualified person, and 35% controlled entities of a disqualified person.

Who is not a disqualified person? The rules also clarify which persons are not considered to be in a position to exercise substantial influence over the affairs of an organization. They include:

- An employee who receives benefits that total less than the highly compensated amount (\$95,000 in 2005) and who does not hold the executive or voting powers just mentioned; is not a family member of a disqualified person; and is not a substantial contributor;
- Tax-exempt organizations described in section 501(c)(3); and
- Section 501(c)(4) organizations with respect to transactions engaged in with other section 501(c)(4) organizations.

Who else may be considered a disqualified person? Other persons not described above can also be considered disqualified persons, depending on all the relevant facts and circumstances.

Facts and circumstances tending to show substantial influence:

- The person founded the organization.
- The person is a substantial contributor to the organization under the section 507(d)(2)(A) definition, only taking into account contributions to the organization for the past 5 years.
- The person's compensation is primarily based on revenues derived from activities of the organization that the person controls.
- The person has or shares authority to control or determine a substantial portion of the organization's capital expenditures, operating budget, or compensation for employees.
- The person manages a discrete segment or activity of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.
- The person owns a controlling interest (measured by either vote or value) in a corporation, partnership, or trust that is a disqualified person.

- The person is a nonstock organization controlled directly or indirectly by one or more disqualified persons.

Facts and circumstances tending to show no substantial influence:

- The person is an independent contractor whose sole relationship to the organization is providing professional advice (without having decision-making authority) with respect to transactions from which the independent contractor will not economically benefit.
- The person has taken a vow of poverty.
- Any preferential treatment the person receives based on the size of the person's donation is also offered to others making comparable widely solicited donations.
- The direct supervisor of the person is not a disqualified person.
- The person does not participate in any management decisions affecting the organization as a whole or a discrete segment of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.

What about persons who staff affiliated organizations? In the case of multiple affiliated organizations, the determination of whether a person has substantial influence is made separately for each applicable tax-exempt organization. A person may be a disqualified person with respect to transactions with more than one organization.

Excess Benefit Transaction

An *excess benefit transaction* is a transaction in which an economic benefit is provided by an applicable tax-exempt organization, directly or indirectly, to or for the use of any disqualified person, and the value of the economic benefit provided by the organization exceeds the value of the consideration (including the performance of services) received for providing such benefit.

To determine whether an excess benefit transaction has occurred, all consideration and benefits exchanged between a disqualified person and the applicable tax-exempt organization, and all entities it controls, are taken into account. For purposes of determining the value of economic benefits, the value of property, including the right to use property, is the fair market value. Fair market value is the price at which property, or the right to use property, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.

An excess benefit can occur in an exchange of compensation and other compensatory benefits in return for the services of a disqualified person, or in an exchange of property between a disqualified person and the exempt organization.

When does an excess benefit transaction usually occur? An excess benefit transaction occurs on the date the disqualified person receives the economic benefit from the organization for federal income tax purposes. However, when a single contractual arrangement provides for a series of compensation payments or other payments to a disqualified person during the disqualified person's tax year, any excess benefit transaction with respect to these payments occurs on the last day of the taxpayer's tax year.

In the case of the transfer of property subject to a substantial risk of forfeiture, or in the case of rights to future compensation or property, the transaction occurs on the date the

property, or the rights to future compensation or property, is not subject to a substantial risk of forfeiture. Where the disqualified person elects to include an amount in gross income in the tax year of transfer under section 83(b), the excess benefit transaction occurs on the date the disqualified person receives the economic benefit for federal income tax purposes.

Section 4958 applies only to post-September 1995 transactions. Section 4958 applies to excess benefit transactions occurring on or after September 14, 1995. Section 4958 does not apply to any transaction occurring pursuant to a written contract that was binding on September 13, 1995, and at all times thereafter before the transaction occurs.

What is reasonable compensation?

Reasonable compensation is the valuation standard that is used to determine if there is an excess benefit in the exchange of a disqualified person's services for compensation.

Reasonable compensation is the value that would ordinarily be paid for like services by like enterprises under like circumstances. This is the section 162 standard that will apply in determining the reasonableness of compensation. The fact that a bonus or revenue-sharing arrangement is subject to a cap is a relevant factor in determining the reasonableness of compensation.

For determining the reasonableness of compensation, all items of compensation provided by an applicable tax-exempt organization in exchange for the performance of services are taken into account in determining the value of compensation (except for certain economic benefits that are disregarded, as discussed in *What benefits are disregarded?* later). Items of compensation include:

- All forms of cash and noncash compensation, including salary, fees, bonuses, severance payments, and deferred and noncash compensation.
- The payment of liability insurance premiums for, or the payment or reimbursement by the organization of taxes or certain expenses under section 4958, unless excludable from income as a *de minimis* fringe benefit under section 132(a)(4). (A similar rule applies in the private foundation area.) Inclusion in compensation for purposes of determining reasonableness under section 4958 does not control inclusion in income for income tax purposes.
- All other compensatory benefits, whether or not included in gross income for income tax purposes.
- Taxable and nontaxable fringe benefits, except fringe benefits described in section 132.
- Foregone interest on loans.

Written intent required to treat benefits as compensation. An economic benefit is not treated as consideration for the performance of services unless the organization providing the benefit clearly indicates its intent to treat the benefit as compensation when the benefit is paid.

An applicable tax-exempt organization (or entity that it controls) is treated as clearly indicating its intent to provide an economic benefit as compensation for services only if the organization provides written substantiation that is contemporaneous with the transfer of the economic benefits under consideration. Ways to provide contemporaneous written substantiation of its intent to provide an economic benefit as compensation include:

- The organization produces a signed written employment contract;
- The organization reports the benefit as compensation on an original Form W-2, Form

1099 or Form 990, or on an amended form filed prior to the start of an IRS examination; or

- The disqualified person reports the benefit as income on the person's original Form 1040 or on an amended form filed prior to the start of an IRS examination.

Exception. To the extent the economic benefit is excluded from the disqualified person's gross income for income tax purposes, the applicable tax-exempt organization is not required to indicate its intent to provide an economic benefit as compensation for services. (For example: employer provided health benefits, and contributions to qualified plans under section 401(a).)

What benefits are disregarded? The following economic benefits are disregarded for purposes of section 4958:

- Nontaxable fringe benefits. An economic benefit that is excluded from income under section 132.
- Benefits to volunteer. An economic benefit provided to a volunteer for the organization if the benefit is provided to the general public in exchange for a membership fee or contribution of \$75 or less per year.
- Benefits to members or donors. An economic benefit provided to a member of an organization due to the payment of a deductible contribution, if a significant number of nondisqualified persons make similar payments or contributions and are offered a similar economic benefit.
- Benefits to a charitable beneficiary. An economic benefit provided to a person solely as a member of a charitable class that the applicable tax-exempt organization intends to benefit as part of the accomplishment of its exempt purpose.
- Benefits to a governmental unit. A transfer of an economic benefit to or for the use of a governmental unit, as defined in section 170(c)(1), if exclusively for public purposes.

Is there an exception for initial contracts?

Section 4958 does not apply to any fixed payment made to a person pursuant to an initial contract. This is a very important exception, since it would potentially apply, for example, to all initial contracts with new, previously unrelated officers and contractors.

An *initial contract* is a binding written contract between an applicable tax-exempt organization and a person who was not a disqualified person immediately prior to entering into the contract.

A *fixed payment* is an amount of cash or other property specified in the contract, or determined by a fixed formula that is specified in the contract, which is to be paid or transferred in exchange for the provision of specified services or property.

A *fixed formula* may, in general, incorporate an amount that depends upon future specified events or contingencies, as long as no one has discretion when calculating the amount of a payment or deciding whether to make a payment (such as a bonus).

Treatment as new contract. A binding written contract providing that it may be terminated or cancelled by the applicable tax-exempt organization without the other party's consent (except as a result of substantial non-performance) and without substantial penalty, is treated as a new contract, as of the earliest date that any termination or cancellation would be effective. Also, a contract in which there is a material change, which includes an extension or renewal of the contract (except for an extension or renewal resulting from the

exercise of an option by the disqualified person), or a more than incidental change to the amount payable under the contract, is treated as a new contract as of the effective date of the material change. Treatment as a new contract may cause the contract to fall outside the initial contract exception, and it thus would be tested under the fair market value standards of section 4958.

Rebuttable Presumption of Reasonableness

Payments under a compensation arrangement are presumed to be reasonable and the transfer of property (or right to use property) is presumed to be at fair market value, if the following three conditions are met.

1. The transaction is approved by an authorized body of the organization (or an entity it controls) which is composed of individuals who do not have a conflict of interest concerning the transaction.
2. Prior to making its determination, the authorized body obtained and relied upon appropriate data as to comparability. There is a special safe harbor for small organizations. If the organization has gross receipts of less than \$1 million, appropriate comparability data includes data on compensation paid by three comparable organizations in the same or similar communities for similar services.
3. The authorized body adequately documents the basis for its determination concurrently with making that determination. The documentation should include:
 - a. The terms of the approved transaction and the date approved;
 - b. The members of the authorized body who were present during debate on the transaction that was approved and those who voted on it;
 - c. The comparability data obtained and relied upon by the authorized body and how the data was obtained;
 - d. Any actions by a member of the authorized body having a conflict of interest; and
 - e. Documentation of the basis for the determination before the later of the next meeting of the authorized body or 60 days after the final actions of the authorized body are taken, and approval of records as reasonable, accurate and complete within a reasonable time thereafter.

Special rebuttable presumption rule for nonfixed payments. As a general rule, in the case of a nonfixed payment, no rebuttable presumption arises until the exact amount of the payment is determined, or a fixed formula for calculating the payment is specified, and the three requirements creating the presumption have been satisfied. However, if the authorized body approves an employment contract with a disqualified person that includes a nonfixed payment (for example, discretionary bonus) with a specified cap on the amount, the authorized body may establish a rebuttable presumption as to the nonfixed payment when the employment contract is entered into by, in effect, assuming that the maximum amount payable under the contract will be paid, and satisfying the requirements giving rise to the rebuttable presumption for that maximum amount.

An IRS challenge to the presumption of reasonableness. The Internal Revenue Service may refute the presumption of reasonableness only if it develops sufficient contrary evidence to rebut the probative value of the comparability data relied upon by the authorized body. This provision gives taxpayers added protection if they faithfully find

and use contemporaneous persuasive comparability data when they provide the benefits.

Organizations that do not establish a presumption of reasonableness. An organization may still comply with section 4958 even if it did not establish a presumption of reasonableness. In some cases, an organization may find it impossible or impracticable to fully implement each step of the rebuttable presumption process described above. In such cases, the organization should try to implement as many steps as possible, in whole or in part, in order to substantiate the reasonableness of benefits as timely and as well as possible. If an organization does not satisfy the requirements of the rebuttable presumption of reasonableness, a facts and circumstances approach will be followed, using established rules for determining reasonableness of compensation and benefit deductions in a manner similar to the established procedures for section 162 business expenses.

Section 4958 Taxes

Tax on disqualified persons. An excise tax equal to 25% of the excess benefit is imposed on each excess benefit transaction between an applicable tax-exempt organization and a disqualified person. The disqualified person who benefited from the transaction is liable for the tax. If the 25% tax is imposed and the excess benefit transaction is not corrected within the taxable period, an additional excise tax equal to 200% of the excess benefit is imposed.

If a disqualified person makes a payment of less than the full correction amount, the 200% tax is imposed only on the unpaid portion of the correction amount. If more than one disqualified person received an excess benefit from an excess benefit transaction, all such disqualified persons are jointly and severally liable for the taxes.

To avoid the imposition of the 200% tax, a disqualified person must correct the excess benefit transaction during the taxable period. The taxable period begins on the date the transaction occurs and ends on the earlier of the date the statutory notice of deficiency is issued or the section 4958 taxes are assessed. This 200% tax may be abated if the excess benefit transaction subsequently is corrected during a 90-day correction period.

Tax on organization managers. An excise tax equal to 10% of the excess benefit may be imposed on the participation of an organization manager in an excess benefit transaction between an applicable tax-exempt organization and a disqualified person. This tax, which may not exceed \$10,000 with respect to any single transaction, is only imposed if the 25% tax is imposed on the disqualified person, the organization manager knowingly participated in the transaction, and the manager's participation was willful and not due to reasonable cause. There is also joint and several liability for this tax. An organization manager may be liable for both the tax on disqualified persons and on organization managers in appropriate circumstances.

An *organization manager* is any officer, director, or trustee of an applicable tax-exempt organization, or any individual having powers or responsibilities similar to officers, directors, or trustees of the organization, regardless of title. An organization manager is not considered to have participated in an excess benefit transaction where the manager has opposed the transaction in a manner consistent with the fulfillment of the manager's

responsibilities to the organization. For example, a director who votes against giving an excess benefit would ordinarily not be subject to this tax.

A person participates in a transaction knowingly if the person has actual knowledge of sufficient facts so that, based solely upon such facts, the transaction would be an excess benefit transaction. Knowing does not mean having reason to know. The organization manager ordinarily will not be considered knowing if, after full disclosure of the factual situation to an appropriate professional, the organization manager relied on the professional's reasoned written opinion on matters within the professional's expertise or if the manager relied on the fact that the requirements for the rebuttable presumption of reasonableness have been satisfied. Participation by an organization manager is willful if it is voluntary, conscious, and intentional. An organization manager's participation is due to reasonable cause if the manager has exercised responsibility on behalf of the organization with ordinary business care and prudence.

Correcting an Excess Benefit Transaction

A disqualified person corrects an excess benefit transaction by undoing the excess benefit to the extent possible, and by taking any additional measures necessary to place the organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards. The organization is not required to rescind the underlying agreement; however, the parties may need to modify an ongoing contract with respect to future payments.

A disqualified person corrects an excess benefit by making a payment in cash or cash equivalents equal to the correction amount to the applicable tax-exempt organization. The correction amount equals the excess benefit plus the interest on the excess benefit; the interest rate may be no lower than the applicable Federal rate. There is an anti-abuse rule to prevent the disqualified person from effectively transferring property other than cash or cash equivalents.

Property. With the agreement of the applicable tax-exempt organization, a disqualified person may make a payment by returning the specific property previously transferred in the excess benefit transaction. The return of the property is considered a payment of cash (or cash equivalent) equal to the lesser of:

- The fair market value of the property on the date the property is returned to the organization, or
- The fair market value of the property on the date the excess benefit transaction occurred.

Insufficient payment. If the payment resulting from the return of the property is less than the correction amount, the disqualified person must make an additional cash payment to the organization equal to the difference.

Excess payment. If the payment resulting from the return of the property exceeds the correction amount described above, the organization may make a cash payment to the disqualified person equal to the difference.

Churches and Section 4958

The regulations make it clear that the IRS will apply the procedures of section 7611 when initiating and conducting any inquiry or examination into whether an excess benefit transaction has occurred between a church and a disqualified person.

Revenue Sharing Transactions

Proposed intermediate sanction regulations were issued in 1998. The proposed regulations had special provisions covering "any transaction in which the amount of any economic benefit provided to or for the use of a disqualified person is determined in whole or in part by the revenues of one or more activities of the organization. . ." — so-called revenue-sharing transactions. Rather than setting forth additional rules on revenue-sharing transactions, the final regulations reserve this section. Consequently, until the Service issues new regulations for this reserved section on revenue-sharing transactions, these transactions will be evaluated under the general rules (for example, the fair market value standards) that apply to all contractual arrangements between applicable tax-exempt organizations and their disqualified persons.

Revocation of Exemption and Section 4958

Section 4958 does not affect the substantive standards for tax exemption under section 501(c)(3) or section 501(c)(4), including the requirements that the organization be organized and operated exclusively for exempt purposes, and that no part of its net earnings inure to the benefit of any private shareholder or individual. The legislative history indicates that in most instances, the imposition of this intermediate sanction will be in lieu of revocation. The IRS has indicated that the following four factors will be considered in determining whether to revoke an applicable tax-exempt organization's exemption status where an excess benefit transaction has occurred:

- Whether the organization has been involved in repeated excess benefit transactions;
- The size and scope of the excess benefit transaction;
- Whether, after concluding that it has been party to an excess benefit transaction, the organization has implemented safeguards to prevent future recurrences; and
- Whether there was compliance with other applicable laws.

Q. Erroneous Backup Withholding

Recipients of dividend or interest payments generally must certify their correct taxpayer identification number to the bank or other payer on Form W-9. If the payer does not get this information, it must withhold part of the payments as backup withholding. If the organization was subject to erroneous backup withholding because the payer did not realize it was an exempt organization and not subject to this withholding, it can claim credit on Form 990-T for the amount withheld. See the Instructions for Form 990-T. Claims for refund must be filed within 3 years after the date the original return was due; 3 years after the date the organization filed it; or 2 years after the date the tax was paid, whichever is later.

R. Group Return

If a parent organization wants to file a group return for two or more of its subsidiaries, it must use Form 990. The parent organization cannot use a Form 990-EZ for the group return.

A central, parent, or like organization can file a group return on Form 990 for two or more local organizations that are:

1. Affiliated with the central organization at the time its annual accounting period ends,

2. Subject to the central organization's general supervision or control,
3. Exempt from tax under a group exemption letter that is still in effect, and
4. Have the same accounting period as the central organization.

If the parent organization is required to file a return for itself, it must file a separate return and may not be included in the group return. See *General Instruction B* for a list of organizations not required to file.

Every year, each local organization must authorize the central organization in writing to include it in the group return and must declare, under penalty of perjury, that the authorization and the information it submits to be included in the group return are true and complete.

If the central organization prepares a group return for its affiliated organizations, check the "Yes" box in item H(a), in the heading of Form 990, and indicate the number of organizations for which the group return is filed in item H(b).

For item H(c), check "Yes," to indicate that the group return includes all affiliated organizations covered by the group ruling. If you answer "No" to H(c), attach a list showing the name, address, and employer identification number (EIN) of each affiliated organization included in the group return. If either box in H(a) or H(d) is checked "Yes," enter the four-digit group exemption number (GEN). Do not confuse the four-digit GEN number to be reported for item I with the nine-digit EIN number reported in item D of the form's heading.

The central organization should send the annual information required to maintain a group exemption letter to the:

Internal Revenue Service Center
Ogden, UT 84201-0027

An affiliated organization covered by a group ruling may file a separate return instead of being included in the group return. In such case, check the "Yes" box in item H(d), in the heading of Form 990, and enter the GEN number in item I.

Parts IV-A and IV-B of Form 990 do not have to be completed on group returns.

S. Organizations in Foreign Countries and U.S. Possessions

Refer to *General Instruction B* for the filing exemption for foreign organizations with \$25,000 or less in gross receipts from U.S. sources.

Report amounts in U.S. dollars and state what conversion rate you use. Combine amounts from within and outside the United States and report the total for each item. All information must be written in English.

T. Public Interest Law Firms

A public interest law firm exempt under section 501(c)(3) or 501(c)(4) must attach a statement that lists the cases in litigation, or that have been litigated during the year. For each case, describe the matter in dispute and explain how the litigation will benefit the public generally. Also attach a report of all fees sought and recovered in each case. See Rev. Proc. 92-59, 1992-2 C.B. 411.

U. Political Organizations

A *political organization* subject to section 527 is a party, committee, association, fund, or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting

contributions or making expenditures, or both, for an exempt function.

The *exempt function* of a political organization is influencing or attempting to influence the selection, nomination, election or appointment of an individual to a federal, state, or local public office or office in a political organization. A political organization must be organized for the primary purpose of carrying on exempt function activities.

A political organization does not need to be formally chartered or established as a corporation, trust, or association. A separate bank account in which political campaign funds are deposited and disbursed only for political campaign expenses can qualify as a political organization.

V. Information Regarding Transfers Associated With Personal Benefit Contracts

Filers of Form 990 that engaged in activities involving personal benefit contracts must declare in *Part X, Information Regarding Transfers Associated With Personal Benefit Contracts*, whether or not they:

1. Received any funds, directly or indirectly, to pay premiums on a personal benefit contract.
2. Paid any premiums, directly or indirectly, on a personal benefit contract.



Filers of Form 990-EZ must make this declaration in a statement attached to their form.

If premiums were paid on a personal benefit contract, the organization must report these payments on Form 8870 and pay an excise tax, equal to premiums paid, with Form 4720.

Section 170(f)(10)(F)(iii) requires a charitable organization to report annually its premium payments on a personal benefit contract with respect to a transferor and to identify the beneficiaries of those contracts. A transferor of funds to a charitable organization receives no charitable contribution deduction if the organization, directly or indirectly pays, or has previously paid, any premium on a personal benefit contract with respect to the transferor, or there is an understanding or expectation that any person will directly or indirectly pay any premium on a personal benefit contract with respect to the transferor (section 170(f)(10)(A)).

A *personal benefit contract*, generally, is any life insurance, annuity, or endowment contract that benefits, directly or indirectly, the transferor, a member of the transferor's family, or any other person designated by the transferor (other than an organization described in section 170(c)). A charitable organization is an organization described in section 170(c).

Section 170(f)(10)(F)(i) imposes on a charitable organization an excise tax equal to the premiums paid by the organization on any personal benefit contract, if the payment of premiums is in connection with a transfer for which a deduction is not allowed under section 170(f)(10)(A). For purposes of this excise tax, section 170(f)(10)(F)(ii) provides that premium payments made by any other person, pursuant to an understanding or expectation described in section 170(f)(10)(A), are treated as made by the charitable organization.

For more information on the reporting requirements of section 170(f)(10), see Notice 2000-24, 2000-17 I.R.B. 952 (2000-1 C.B. 952) and Announcement 2000-82, 2000-42 I.R.B. 385 (2000-2 C.B. 385).

W. Requirements for a Properly Completed Form 990 or Form 990-EZ

Public inspection. In general, all information the organization reports on or with its Form 990, or Form 990-EZ, including attachments, will be available for public inspection. Note, however, the public inspection rules for the Schedule B (Form 990, 990-EZ, or 990-PF), a required attachment for organizations that file Form 990 or Form 990-EZ. Make sure the forms and attachments are clear enough to photocopy legibly.

Signature. To make the return complete, an officer of the organization authorized to sign it must sign in the space provided. For a corporation, or association, this officer may be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate, or association officer, such as a tax officer. A receiver, trustee, or assignee must sign any return he or she files for a corporation or association. For a trust, the authorized trustee(s) must sign.



Generally, anyone who is paid to prepare the return must sign it in the Paid Preparer's Use Only area.

The paid preparer must:

- Sign the return in the space provided for the preparer's signature.
- Enter the preparer's social security number (SSN), preparer tax identification number (PTIN), or employer identification number (EIN), only if the Form 990, or Form 990-EZ, is for a section 4947(a)(1) nonexempt charitable trust that is not filing Form 1041.

- Complete the required preparer information.
- Give a copy of the return to the organization.

Leave the paid preparer's space blank if the return was prepared by a regular employee of the filing organization.

Recordkeeping. The organization's records should be kept for as long as they may be needed for the administration of any provision of the Internal Revenue Code. Usually, records that support an item of income, deduction, or credit must be kept for 3 years from the date the return is due or filed, whichever is later. Keep records that verify the organization's basis in property for as long as they are needed to figure the basis of the original or replacement property.

The organization should also keep copies of any returns it has filed. They help in preparing future returns and in making computations when filing an amended return.

Rounding off to whole dollars. You may round off cents to whole dollars on the return and schedules. If you do round to whole dollars, you must round all amounts. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Completing all lines. Unless the organization is permitted to use certain DOL forms or Form 5500 as partial substitutes for Form 990, or Form 990-EZ (see *General Instruction F*), do

not leave any applicable lines blank or attach any other forms or schedules instead of entering the required information on the appropriate line on Form 990 or Form 990-EZ.

Assembling Form 990 or Form 990-EZ.

Before filing the Form 990, or Form 990-EZ, assemble the package of forms and attachments in the following order:

- Form 990 or Form 990-EZ.
- Schedule A (Form 990 or 990-EZ). The requirement to attach Schedule A (Form 990 or 990-EZ) applies to all section 501(c)(3) organizations and all section 4947(a)(1) nonexempt charitable trusts that file Form 990 or Form 990-EZ.
- Schedule B (Form 990, 990-EZ, or 990-PF).
- Attachments to Form 990 or Form 990-EZ.
- Attachments to Schedule A (Form 990 or 990-EZ).
- Attachments to Schedule B (Form 990, 990-EZ, or 990-PF).

Attachments. Use the schedules on the official form unless you need more space. If you use attachments, they must:

1. Show the form number and tax year;
2. Show the organization's name and EIN;
3. Identify clearly the Part or line(s) to which the attachments relate;
4. Include the information required by the form and use the same format as the form;
5. Follow the same Part and line sequence as the form; and
6. Be on the same size paper as the form.



Checklist For A Properly Completed Return.

| | |
|-------|--|
| _____ | Complete Schedule A (Form 990 or 990-EZ) if your organization is a section 501(c)(3), 501(e), (f), (k), (n) organization or a section 4947(a)(1) nonexempt charitable trust. |
| _____ | Complete Schedule A (Form 990 or 990-EZ), Part IV-A, <i>Support Schedule</i> , if you are required to check a box on line 10, 11a, 11b, or 12 of Part IV of Schedule A. |
| _____ | File Form 990 instead of Form 990-EZ if your organization's gross receipts are \$100,000 or more or total assets at the end of the year are \$250,000 or more. |
| _____ | Indicate the correct tax year in the heading of your form. |
| _____ | Have an officer of the organization sign the return. |
| _____ | Complete all Balance Sheet columns (Part IV (and IV-A and IV-B) of Form 990; Part II of Form 990-EZ). Indicate "N/A" if a line, column, or Part does not apply. Indicate too, on the applicable line, if a schedule is attached. Do not substitute another balance sheet instead of completing the Part II Balance Sheet of Form 990-EZ. |
| _____ | Attach all required pages and schedules to the return. Include a list of subordinates if filing a group return. |
| _____ | Double-check the accuracy of your EIN, tax period, and group exemption number (GEN), if applicable. |
| _____ | Indicate the correct 501(c) subsection under which you are tax-exempt. If there has been a change, attach a copy of the latest determination letter. If the letter is unavailable, attach a description of your organization's primary exempt purpose. |
| _____ | Be aware that the Form 990, Form 990-EZ, the Schedule A (Form 990 or 990-EZ), and the attachments to be filed with these forms, are publicly disclosable. Note, however, the specific public inspection rules in the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF). |
| _____ | Section 501(c)(3) organizations required to complete lines 26, 27, or 28 of Schedule A (Form 990 or 990-EZ) must prepare lists for their own records to substantiate amounts on those lines. These lists are not to be filed with the return. |
| _____ | Do not check the <i>Final return</i> box in the heading of the Form 990 or 990-EZ unless your organization has ceased operations. |

Specific Instructions for Form 990

See also the *General Instructions* that apply to both Form 990 and Form 990-EZ.

| Contents | Page |
|---|------|
| Completing the Heading of Form 990 | 17 |
| Part I—Revenue, Expenses, and Changes in Net Assets | 18 |
| Part II—Statement of Functional Expenses | 22 |
| Part III—Statement of Program Service Accomplishments | 25 |
| Part IV—Balance Sheets | 25 |
| Parts IV-A and IV-B—Reconciliation Statements | 27 |
| Part V-A—Current Officers, Directors, Trustees, and Key Employees | 27 |
| Part V-B—Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits | 28 |
| Part VI—Other Information | 29 |
| Part VII—Analysis of Income-Producing Activities | 34 |
| Part VIII—Relationship of Activities to the Accomplishment of Exempt Purposes | 35 |
| Part IX—Information Regarding Taxable Subsidiaries and Disregarded Entities | 35 |
| Part X—Information Regarding Transfers Associated With Personal Benefit Contracts | 35 |
| Exclusion Codes | 36 |

Completing the Heading of Form 990

The instructions that follow are keyed to items in the heading for Form 990.

Item A. Accounting Period

File the 2005 return for calendar year 2005 and fiscal years that begin in 2005 and end in 2006. For a fiscal year return, fill in the tax year space at the top of page 1. See *General Instruction G* for additional information on accounting periods and methods.

Item B. Checkboxes

Address change, name change, and initial return. Check the appropriate box if the organization changed its address since it filed its previous return, or if this is the first time the organization is filing either a Form 990 or a Form 990-EZ.

If the tax-exempt organization has changed its name, attach the following documents:

| IF the organization is . . . THEN attach . . . | |
|--|---|
| A corporation | Amendments to the articles of incorporation with proof of filing with the state of incorporation. |

| | |
|----------------|---|
| A trust | Amendments to the trust agreement signed by the trustee. |
| An association | Amendments to the articles of association, constitution, bylaws, or other organizing document, with the signatures of at least two officers/ members. |

Final return and Amended return.

Organizations should file final returns when they cease to be section 501(a) organizations or section 527 organizations; for example, when they cease operations and dissolve. See the instructions for line 79 that discuss liquidations, dissolutions, terminations, or substantial contractions.

If the return is an amended return, check the box. There are amended return requirements when filing with a state. See *General Instructions E* and *J*.

Application pending. If the organization's application for exemption is pending, check this box and complete the return.

Item C. Name and Address

If we mailed the organization a Form 990 Package with a pre-addressed mailing label, please attach the label in the name and address space on the return. Using the label helps us avoid errors in processing the return. If any information on the label is wrong, draw a line through that part and correct it.

If the organization operates under a name different from its legal name, give the legal name of the organization but identify its alternate name, after the legal name, by writing "aka" (also known as) and the alternate name of the organization. However, if the organization has changed its name, follow the instructions for *Name change* in *Item B — Checkboxes*.

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

For foreign addresses, enter information in the following order: city, province or state, and the name of the country. Follow the foreign country's practice in placing the postal code in the address. Please do not abbreviate the country name.

If a change in address occurs after the return is filed, use Form 8822 to notify the IRS of the new address.

Item D. Employer Identification Number

The organization should have only one federal employer identification number (EIN). If it has more than one and has not been advised which to use, notify the:

Internal Revenue Service Center
Ogden, UT 84201-0027

State what numbers the organization has, the name and address to which each number was assigned, and the address of its principal office. The IRS will advise the organization which number to use.

• A section 501(c)(9) voluntary employees' beneficiary association must use its own EIN and not the EIN of its sponsor.

• A disregarded entity, as described in Regulations sections 301.7701-1 through 301.7701-3, however, may use the EIN of the organization in Part IX if the disregarded entity does not have its own EIN. See *General Instruction A* and the instructions for Part IX.

Item E. Telephone Number

Enter a telephone number of the organization that members of the public and government regulators may use during normal business hours to obtain information about the organization's finances and activities. If the organization does not have a telephone number, enter the telephone number of an organization official who can provide such information.

Item F. Accounting Method

An organization must indicate the method of accounting used in preparing this return. See *General Instruction G*.

Item G. Website

Show the organization's website address if a website is available. Otherwise, write "N/A" (not applicable). Consider adding your email address to your website.

Item H. Group Return, etc.

See *General Instruction R*. Attach the required list, if applicable, or you will be contacted later for the missing information.

Item I. Group Exemption Number

The group exemption number (GEN) is a number assigned by the IRS to the central/parent organization of a group that has a group ruling.

Enter the four-digit group exemption number if you checked a "Yes" box in item H(a) and H(d). Contact the central/parent organization if you are unsure of the GEN assigned.

Item J. Organization Type

If the organization is exempt under section 501(c), check the applicable box and insert, within the parentheses, the number that identifies the type of section 501(c) organization the filer is. See the chart in *General Instruction C*. The term section 501(c)(3) includes organizations exempt under sections 501(e), (f), (k), and (n). Check the applicable box if the organization is a section 527 political organization. See *General Instruction U*.

If the organization is a section 4947(a)(1) nonexempt charitable trust, check the applicable box. Note also the discussion regarding Schedule A (Form 990 or 990-EZ) and Form 1041 in *General Instruction D* and the instructions to line 92 of Form 990.

Item K. Gross Receipts of \$25,000 or Less

Check this box if the organization's gross receipts are normally not more than \$25,000, but the organization chooses to file a return. If the organization chooses to file a return, be sure to file a complete return. For a discussion on gross receipts see *General Instruction A*, and *General Instruction W* for a discussion on a complete return.

Item L. Calculating Gross Receipts

The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses. See the gross receipts discussion in *General Instruction B*.

Item M. Schedule B (Form 990, 990-EZ, or 990-PF)

Whether or not the organization enters any amount on line 1d of Form 990, the organization must either check the box in item M or attach Schedule B (Form 990, 990-EZ, or 990-PF). Your return will be incomplete if you do not either check the box in item M or file Schedule B (Form 990, 990-EZ, or 990-PF). See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF), for more information.



Contributor includes individuals, fiduciaries, partnerships, corporations, associations, trusts, and exempt organizations.

Guidelines for Meeting the Requirements for Schedule B (Form 990, 990-EZ, or 990-PF)

Section 501(c)(3) org., meeting the 1/3 support test of 170(b)(1)(A)

If A section 501(c)(3) organization that met the 1/3 support test of the regulations under 509(a)(1)/170(b)(1)(A) did not receive a contribution of the greater of \$5,000 or 2% of the amount on line 1d of Form 990, from any one contributor,*

Then The organization should check the box in item M to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

Otherwise Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

Section 501(c)(7), (8), or (10) Organization

If A section 501(c)(7), (8), or (10) organization did not receive any contribution or bequest for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals (and did not receive any noncharitable contributions of \$5,000 or more as described below under general rule),

Then The organization should check the box in item M to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

Otherwise Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

All Other Form 990 or Form 990-EZ Organizations (General rule)

If The organization did not show as part of line 1d of the Form 990, a contribution of \$5,000 or more from any one contributor,*

Then The organization should check the box in item M to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

Otherwise Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

* Total a contributor's gifts of \$1,000 or more to determine if a contributor gave \$5,000 or more. Do not include smaller gifts.

Part I. Revenue, Expenses, and Changes in Net Assets or Fund Balances

All organizations filing Form 990 with the IRS or any state must complete Part I. Some states that accept Form 990 in place of their own forms require additional information.

Line 1. In General

Contributions, gifts, grants, and similar amounts received

- On lines 1a through 1c, report amounts received as voluntary contributions; that is, payments, or the part of any payment, for which the payer (donor) does not receive full retail value (fair market value) from the recipient (donee) organization.
- Report gross amounts of contributions collected in the charity's name by fundraisers.
- Report all expenses of raising contributions in *Fundraising*, column (D), Part II, and on line 15 of Part I. You must show on line 30 professional fundraising fees relating to the gross amounts of contributions collected in the charity's name by fundraisers.
- Report the value of noncash contributions at the time of the donation. For example, report the gross value of a donated car at the time the car was received as a donation.
- For grants, see *Grants that are Equivalent to contributions*, on the following page.

Reporting for line 1, in accordance with SFAS 116, is acceptable for Form 990 purposes, but not required by IRS. However, see *General Instruction E*.

An organization that receives a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 1. Accruals of present value increments to the unpaid grant should also be reported on line 1 in future years.

Contributions Can Arise From Special Events When an Excess Payment is Received for Items Offered

Fundraising activities relate to soliciting and receiving contributions. However, special fundraising activities such as dinners, door-to-door sales of merchandise, carnivals, and bingo games can produce both contributions and revenue.

If a buyer at such a special event, pays more for goods or services than their retail value, report, as a contribution, both on line 1a and on line 9a (within the parentheses), any amount paid in excess of the retail value. This situation usually occurs when organizations seek public support through solicitation programs that are in part special events or activities and are in part solicitations for contributions. The primary purpose of such solicitations is to receive contributions and not to sell the merchandise at its retail value even though this might produce a profit.

Example. An organization announces that anyone who contributes at least \$40 to the organization can choose to receive a book worth \$16 retail value. A person who gives \$40, and who chooses the book, is really purchasing the book for \$16 and also making a contribution of \$24. The contribution of \$24, which is the difference between the buyer's payment and the \$16 retail value of the book, would be reported on line 1a and again on line 9a (within the parentheses). The revenue received (\$16 retail value of the book) would be reported in the right-hand column on line 9a.

If a contributor gives more than \$40, that person would be making a larger contribution, the difference between the book's retail value of \$16 and the amount actually given. Rev. Rul. 67-246, 1967-2 C.B. 104, explains this principle in detail. See also the *Lines 9a through 9c* instructions and Pub. 526.

Report the expenses that relate directly to the sale of the book on line 9b. Report the expenses of raising contributions (shown within the parentheses on line 9a and again on line 1a) in *Fundraising*, column (D), Part II, and on line 15 of Part I.



At the time of any solicitation or payment, organizations that are eligible to receive tax-deductible contributions should advise patrons of the amount deductible for federal tax purposes. See General Instruction L.

Contributions Can Arise From Special Events When Items of Only Nominal Value are Given or Offered

If an organization offers goods or services of only nominal value through a special event or distributes free, unordered, low-cost items to patrons, report the entire amount received for such benefits as a contribution on line 1a (direct public support). Report all related expenses in *Fundraising*, column (D), Part II. See *General Instruction L* for a definition of benefits that have a nominal or insubstantial value.

Section 501(c)(3) Organizations

Correctly dividing gross receipts from special events into revenue and contributions is especially important for a section 501(c)(3) organization that claims public support as described in section 509(a)(1)/170(b)(1)(A)(vi) or section 509(a)(2). In the public support computations of these Code sections, the revenue portion of gross receipts may be (a) excluded entirely, (b) treated as public support, or (c) if the revenue represents unrelated trade or business income, treated as nonpublic support.

Section 501(c)(3) organizations must separate gross receipts from special events into revenue and contributions when preparing the *Support Schedule* in Part IV-A of Schedule A (Form 990 or 990-EZ).

Section 501(c)(9), (17), and (18) Organizations

These organizations provide participants with life, sickness, accident, welfare, and unemployment insurance, pensions, or similar benefits, or a combination of these benefits. When such an organization receives payments from participants or their employers to provide these benefits, report the payments on line 2 as program service revenue, rather than on line 1 as contributions.

Donations of Services are Not Contributions

In Part I, do not include as contributions on line 1 the value of services donated to the organization, or items such as the free use of materials, equipment, or facilities. See the instructions for Part III and for Part VI, line 82, for the optional reporting of such amounts in Parts III and VI.

Any unreimbursed expenses of officers, employees, or volunteers do not belong on the Form 990 or Form 990-EZ. See the discussions for charitable contributions and employee business expenses in Pub. 526 and Pub. 463, respectively.

Grants that are Equivalent to Contributions

Grants that encourage an organization receiving the grant to carry on programs or activities that further its exempt purposes are grants that are equivalent to contributions. Report them on line 1. The grantor may require that the programs of the grant recipient (grantee) conform to the grantor's own policies and may specify the use of the grant, such as use for the restoration of a historic building or a voter registration drive.

A grant is still equivalent to a contribution if the grant recipient provides a service or makes a product that benefits the grantor incidentally. See *Examples* in the line 1c instructions. However, a grant is a payment for services, and not a contribution, if the grant requires the grant recipient to provide that grantor with a specific service, facility, or product rather than to give a direct benefit primarily to the general public or to that part of the public served by the organization. In general, do not report as contributions any payments for a service, facility, or product that primarily give some economic or physical benefit to the payer (grantor).

Example. A public interest organization described in section 501(c)(4) makes a grant to another organization to conduct a nationwide survey to determine voter attitudes on issues of interest to the grantor. The grantor plans to use the results of the survey to plan its own program for the next 3 years. Under these circumstances, since the survey serves the grantor's direct needs and benefits the grantor more than incidentally, the grant to the organization making the survey is not a contribution. The grant recipient should not report the grant as a contribution but should report it on line 2 as program service revenue.

Treat research to develop products for the payer's use or benefit as directly serving the payer. However, generally, basic research or studies in the physical or social sciences should not be treated as serving the payer's needs.

See Regulations section 1.509(a)-3(g) to determine if a grant is a contribution reportable on line 1, or a revenue item reportable elsewhere on Form 990.

Line 1a. Direct Public Support

Contributions, gifts, grants, and similar amounts received. Enter the gross amounts of contributions, gifts, grants, and bequests that the organization received directly from the public. Include:

- All donated items. For example, a car is donated to an organization. Immediately after the organization receives the donated car, the organization sells the car. The organization includes the value of the car as of the time of its receipt as a contribution on line 1a and includes it in the total on line 1d as a noncash contribution.
- All funds or the entire value of noncash items raised by an outside fundraiser in a charity's name and not just the amount actually received by the charity. For example, a corporation solicits and sells cars in a charity's name. When a car is received, its entire value is reported as a contribution.
- Amounts received from individuals, trusts, corporations, estates, and foundations, or raised by an outside professional fundraiser.
- Include contributions and grants from public charities and other exempt organizations that are neither fundraising organizations nor affiliates of the filing organization.
- See the instructions for line 1b.

Membership dues. Report on line 1a membership dues and assessments that represent contributions from the public rather than payments for benefits received or payments from affiliated organizations. See the instructions for line 3.

Government contributions (grants). Report government grants on line 1c if they represent contributions, or on line 2 (and on line 93(g) of Part VII), if they represent fees for services. See the instructions under the heading, *Grants that are equivalent to contributions*, above and the instructions for line 1c below.

Commercial co-venture. Report amounts contributed by a commercial co-venture on line 1a as a contribution received directly from the public. These are amounts received by an organization (donee) for allowing an outside organization (donor) to use the donee's name in a sales promotion campaign. In such a campaign, the donor advertises that it will contribute a certain dollar amount to the donee organization for each unit of a particular product or service sold or for each occurrence of a specific type.

Contributions received through special events. Report contributions received through special events on line 1a. See the preceding line 1 instructions and the instructions for *Lines 9a through 9c*.

Line 1b. Indirect Public Support

Enter the total contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as a United Way organization and certain sectarian federations). These organizations normally conduct fundraising campaigns within a single metropolitan area or some part of a particular state and allocate part of the net proceeds to each participating organization on the basis of the donors' individual designations and other factors.

Include on line 1b amounts contributed by other organizations closely associated with the reporting organization. This includes contributions received from a parent organization, subordinate, or another organization with the same parent. National organizations that share in fundraising campaigns conducted by their local affiliates should report the amount they receive on line 1b.

Line 1c. Government Contributions (Grants)

The general line 1 instructions, under the heading, *Grants that are Equivalent to contributions*, earlier, apply to this item in particular. A grant or other payment from a governmental unit is treated as a contribution if its primary purpose is to enable the donee to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor even if the public pays part of the expense of providing the service or facility.

The following are examples of governmental grants and other payments that are treated as contributions.

Examples.

1. Payments by a governmental unit for the construction or maintenance of library or hospital facilities open to the public.
2. Payments under government programs to nursing homes or homes for the aged in order to provide health care or other services to their residents.
3. Payments to child placement or child guidance organizations under government programs serving children in the community.

The general public gets the primary and direct benefit from these payments and any benefit to the governmental unit itself would be indirect and insubstantial as compared to the public benefit.


Line 1d. Total Contributions, etc.

Enter the total of amounts reported on lines 1a through 1c. In the entry spaces in the description column for line 1d, enter the separate totals for cash and noncash contributions, gifts, grants, and similar amounts received. The total of the two amounts must equal the total on line 1d.

Report as cash contributions, etc., only contributions, etc., received in the form of cash, checks, money orders, credit card charges, wire transfers, and other transfers and deposits to a cash account of the organization. If your organization records pledges as contributions, etc., at the time the pledges are made (rather than when the pledges are collected), include as cash contributions, etc., only those pledges actually collected in cash during the year and pledges uncollected at the end of the year that are reasonably expected to be paid in cash in a later year. Report all other contributions, etc., as noncash contributions, etc., in the space provided. Be sure to include as a noncash contribution donated items like cars and clothing valued as of the time of their receipt even if these items were made available for sale immediately after they were received. See *General Instruction L* and Schedule B (Form 990, 990-EZ, or 990-PF), and lines 1 and 1a for a discussion of noncash contributions. Noncash contributions do not include donated services, which may be reported on line 82 and in the narrative section of Part III.

Schedule of Contributors. Attach Schedule B (Form 990, 990-EZ, or 990-PF). See *General Instruction L* and the *Specific Instructions for Completing the Heading of Form 990, Item M*.

Lines 2 through 11

 **Do not enter any contributions on lines 2 through 11. Enter all contributions on line 1. If you enter contributions on lines 2 through 11, you will be unable to complete Part VII correctly. Line 105 (the sum of amounts entered in columns (B), (D), and (E) for lines 93 through 103 of Part VII, Analysis of Income-Producing Activities) should match the total of amounts entered for correlating lines 2 through 11 of Part I. See the instructions for Part VII.**

Line 2. Program Service Revenue Including Medicare, Medicaid Payments and Government Fees and Contracts

Enter the total of program service revenue (exempt function income) as reported in Part VII, lines 93(a) through (g), columns (B), (D), and (E). Program services are primarily those that form the basis of an organization's exemption from tax. For a more detailed description of program services, refer to the instructions for Part II, column (B), *Program services*.

Examples. A hospital would report on this line all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), hospital parking lot fees, room charges, laboratory fees for hospital patients, and related charges for services.

Insurance premiums. A section 501(c)(15) organization would report on this line all of its insurance premiums received. The amount reported here for insurance premiums

should correlate with the amounts reported on line 93, columns (B), (D) and (E).

Program service revenue. Program service revenue includes income earned by the organization for providing a government agency with a service, facility, or product that benefited that government agency directly rather than benefiting the public as a whole. See the line 1c instructions for reporting guidelines when payments are received from a government agency for providing a service, facility, or product for the primary benefit of the general public.

Program service revenue also includes: tuition received by a school; revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; interest income on loans a credit union makes to its members; payments received by a section 501(c)(9) organization from participants, or employers of participants, for health and welfare benefits coverage; insurance premiums received by a fraternal beneficiary society; and registration fees received in connection with a meeting or convention.

Program-related investments. Program service revenue also includes income from program-related investments. These investments are made primarily to accomplish an exempt purpose of the investing organization rather than to produce income. Examples are scholarship loans and low interest loans to charitable organizations, indigents, or victims of a disaster.

Rental income from an exempt function is another example of program-related investment income. When an organization rents to an unaffiliated exempt organization at less than fair rental value for the purpose of aiding that tenant's exempt function, the reporting organization should report such rental income as program service revenue on line 2. See also the instructions for line 6a. For purposes of this return, report all rental income from an affiliated organization on line 2.

Unrelated trade or business activities. Unrelated trade or business activities (not including any special events or activities) that generate fees for services may also be program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

Sales of inventory items by hospitals, colleges, and universities. Books and records maintained in accordance with generally accepted accounting principles for hospitals, colleges, and universities are more specialized than books and records maintained according to those accounting principles for other types of organizations that file Form 990. Accordingly, hospitals, colleges, and universities may report, as program service revenue on line 2, sales of inventory items otherwise reportable on line 10a. In that event, show the applicable cost of goods sold as program service expense on line 13 of Part I and in column (B) of Part II. All other organizations, however, should not report sales of inventory items on line 2.

Line 3. Membership Dues and Assessments

Enter members' and affiliates' dues and assessments that are not contributions.

Dues and assessments received that compare reasonably with available benefits. When dues and assessments are received that compare reasonably with membership benefits

received, report such dues and assessments on line 3.

Organizations described in section 501(c)(5), (6), or (7) generally provide benefits that have a reasonable relationship to dues, although benefits to members may be indirect.

Dues or assessments received that exceed the value of available membership benefits. Whether or not membership benefits are used, dues received by an organization, to the extent they are more than the monetary value of the membership benefits available to the dues payer, are a contribution that should be reported on line 1a. See Rev. Rul. 54-565, 1954-2 C.B. 95 and Rev. Rul. 68-432, 1968-2 C.B. 104.

Dues received primarily for the organization's support. If a member pays dues mainly to support the organization's activities and not to obtain benefits of more than nominal monetary value, those dues are a contribution to the organization includible on line 1a.

Examples of membership benefits. These include subscriptions to publications, newsletters (other than one about the organization's activities only), free or reduced-rate admissions to events the organization sponsors, the use of its facilities, and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, do not include intangible benefits, such as the right to attend meetings, vote or hold office in the organization, and the distinction of being a member of the organization.

Line 4. Interest on Savings and Temporary Cash Investments

Enter the amount of interest income from savings and temporary cash investments reportable on line 46. So-called dividends or earnings received from mutual savings banks, money market funds, etc., are actually interest and should be entered on line 4.

Line 5. Dividends and Interest from Securities

Enter the amount of dividend and interest income from equity and debt securities (stocks and bonds) of the type reportable on line 54. Include amounts received from payments on securities loans, as defined in section 512(a)(5). Do not include any capital gains dividends that are reportable on line 8. See the instructions for line 2 for reporting income from program-related investments.

Line 6a. Gross Rents

Enter on line 6a the rental income received for the year from investment property reportable on line 55. Do not include on line 6a rental income related to the reporting organization's exempt function (program service). Report such income on line 2. For example, an exempt organization whose exempt purpose is to provide low-rental housing to persons with low income would report that rental income as program service revenue on line 2. Rental income received from an unaffiliated exempt organization is generally considered as unrelated to the reporting organization's exempt purpose and reportable on line 6a. However, note an exception given in the instructions for line 2 when the reporting organization aids an unaffiliated organization with its exempt function.

Only for purposes of completing this return, the reporting organization must report any rental income received from an affiliated exempt organization as program service revenue on line 2.

Line 6b. Rental Expenses

Enter the expenses paid or incurred for the income reported on line 6a. Include interest related to rental property and depreciation if it is recorded in the organization's books and records. Report in column (B) of Part II *Program services* any rental expenses allocable to rental income reportable as program service revenue on line 2.

Line 6c. Net Rental Income or (Loss)

Subtract line 6b from line 6a. Show any loss in parentheses.

Line 7. Other Investment Income

Enter the amount of investment income not reportable on lines 4 through 6 and describe the type of income in the space provided or in an attachment. The income should be the gross amount derived from investments reportable on line 56. Include, for example, royalty income from mineral interests owned by the organization. However, do not include income from program-related investments. See the instructions for line 2. Also, do not include unrealized gains and losses on investments carried at market value. See the instructions for line 20.

Lines 8a through 8d. Gains (or Losses) From Sale of Assets Other Than Inventory

Report, on lines 8a through 8c, all sales of securities in column (A). Use column (B) to report sales of all other types of investments (such as real estate, royalty interests, or partnership interests) and all other noninventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities).

On line 8a, for each column, enter the total gross sales price of all such assets. Total the cost or other basis (less depreciation) and selling expenses and enter the result on line 8b. On line 8c, enter the net gain or loss.

On lines 8a and 8c, also report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts. Indicate the source on the schedule described below.

Combine the gain and/or loss figures reported on line 8c, columns (A) and (B) and report that total on line 8d. Do not include any unrealized gains or losses on securities carried at market value in the books of account. See the instructions for line 20.

For reporting sales of securities on Form 990, you may use the more convenient average cost basis method to figure the organization's gain or loss. When a security is sold, compare its sales price with the average cost basis of the particular security to determine gain or loss. However, generally, for reporting sales of securities on Form 990-T, do not use the average cost basis to determine gain or loss.

Nonpublicly traded securities and noninventory items. Attach a schedule showing the sale or exchange of nonpublicly traded securities and the sale or exchange of other assets that are not inventory items. The schedule should show security transactions separately from the sale of other assets. Show for each of these assets:

- Date acquired and how acquired,
- Date sold and to whom sold,
- Gross sales price,
- Cost, other basis, or if donated, value at time acquired (state which),
- Expense of sale and cost of improvements made after acquisition, and

- If depreciable property, depreciation since acquisition.

Publicly traded securities. On the attached schedule, for sales of publicly traded securities through a broker, total the gross sales price, the cost or other basis, and the expenses of sale on all such securities sold, and report lump-sum figures in place of the detailed reporting required by the above paragraph. Publicly traded securities include common and preferred stocks, bonds (including governmental obligations), and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an established exchange and for which market quotations are published or otherwise readily available.

Lines 9a through 9c. Special Events and Activities

On the appropriate line, enter the gross revenue, expenses, and net income (or loss) from all special events and activities, such as dinners, dances, carnivals, raffles, bingo games, other gaming activities, and door-to-door sales of merchandise.

These activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds that are other than contributions to finance the organization's exempt activities. This is done by offering goods or services that have more than a nominal value (compared to the price charged) for a payment that is more than the direct cost of those goods or services.

The gross revenue from gaming activities and other special events must be reported in the right-hand column on line 9a without reduction for cash or noncash prizes, cost of goods sold, compensation, fees, or other expenses. Check the box for gaming if the organization conducted directly, or through a promoter, any amount of gaming during the year.

Gaming includes (but is not limited to): bingo, pull tabs, instant bingo, raffles, scratch-offs, charitable gaming tickets, break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada Club tickets, casino nights, Las Vegas nights, and coin-operated gambling devices. Coin-operated gambling devices include slot machines, electronic video slot or line games, video poker, video blackjack, video keno, video bingo, video pull tab games, etc.

Characterizing any required payment as a donation or contribution on tickets or on advertising or solicitation materials does not affect how such payments should be reported on Form 990 or Form 990-EZ. As discussed in the instructions for line 1, the amount of the contribution is the excess of the amount paid over the retail value of the goods or services received by the payer. See also Pub. 526.

Special events may generate both revenue and contributions. Special events sometimes generate both contributions and revenue. When a buyer pays more than the retail value of the goods or services furnished, enter:

- As gross revenue, on line 9a (in the right-hand column), the retail value of the goods or services,
- As a contribution, on both line 1a and line 9a (within the parentheses), the amount received that exceeds the retail value of the goods or services given.

Report on line 9b only the expenses directly attributable to the goods or services the buyer receives from a special event. Fundraising expenses attributable to contributions, reported on both line 1a and line 9a (within the parentheses), are reportable in Part II, column (D), *Fundraising*. If you include an expense on

line 9b, do not report it again on line 10b or in Part II. Expenses reported on line 10b relate to sales of inventory. Expenses reported in Part II, column (D), relate to contributions raised through fundraising.

Example. At a special event, an organization received \$100 in gross receipts for goods valued at \$40. The organization entered gross revenue of \$40 on line 9a (in the right-hand column) and entered a contribution of \$60 on both line 1a and line 9a (within the parentheses). The contribution of \$60 was the difference between the gross revenue of \$40 and the gross receipts of \$100.

The expenses directly relating to the sale of the goods would be reported on line 9b. However, all expenses of raising contributions would be reported in column (D), *Fundraising*, Part II and not on line 9b.

For more details about contributions received through fundraising, and contributions and revenue received through special events, see the line 1 instructions. See also *General Instruction L* and its references.

Sales or gifts of goods or services of only nominal value. If the goods or services given or offered at special events have only nominal value, include all of the receipts as contributions on line 1a and all of the related expenses as fundraising expenses on line 15 and in column (D) of Part II. See *General Instruction L* for a description of nominal or insubstantial benefits.

An activity may generate only contributions. An activity that generates only contributions, such as a solicitation campaign by mail, is not a special event and should not be reported on line 9.

Contributions from such an activity are reportable on line 1, and the related fundraising expenses are reportable in column (D), Part II.

The proceeds of solicitation campaigns in which the names of contributors and other respondents are entered in a drawing for the awarding of prizes (so-called sweepstakes or lotteries) are contributions, reportable on line 1, and the related expenses are fundraising expenses, reportable in column (D) of Part II. However, raffles and lotteries in which a payment of at least a specified minimum amount is required for each entry are special events, reportable on line 9, unless the prizes awarded have only nominal value. Reporting payments in their entirety as contributions when gifts or services given are nominal in value is discussed above.

Attached schedule. Attach a schedule listing the three largest fundraising events, as measured by gross receipts. If gaming is conducted, treat different types of gaming separately to determine the three largest events. For example, treat bingo and pull tabs as separate fundraising events. Describe each of these events by listing the type of event and the number of occasions that the event occurred and show (for each event):

1. Gross receipts,
2. Contributions included in gross receipts (see *Special events may generate both revenue and contributions*, earlier),
3. Gross revenue (gross receipts less contributions),
4. Direct expenses, and
5. Net income or (loss) (gross revenue less direct expenses).

For gaming, direct expenses include: cash and noncash prizes, compensation to bingo callers and workers, rental of gaming equipment, cost of bingo supplies such as pull tab deals, etc.

Include the same information, in total figures, for all other special events held that

were not among the three largest. Indicate the type and number of the events not listed individually (for example, three dances and two raffles).

An example of this schedule of special events might appear in columnar form as follows:

| Special Events (and the number of occasions that the event occurred): | (A) # | (B) # | (C) # | All Other | Total |
|---|----------|----------|----------|--------------|-------|
| Gross Receipts | \$xx | \$xx | \$xx | \$xx | \$xx |
| Less: Contributions | xx | xx | xx | xx | xx |
| Gross Revenue | xx | xx | xx | xx | xx |
| Less: Direct Expenses | xx | xx | xx | xx | xx |
| Net Income or (loss) | \$xx | \$xx | \$xx | \$xx | \$xx |

If you use the above schedule, report the total for *Contributions* on line 1a of Form 990 and on line 9a (within the parentheses). Report the totals for *Gross Revenue*, in the right-hand column, on line 9a; *Direct Expenses* on line 9b; and *Net Income or (loss)* on line 9c.

Lines 10a through 10c. Gross Profit or (Loss) from Sales of Inventory

Enter the gross sales (less returns and allowances), cost of goods sold, and gross profit or (loss) from the sale of inventory items. These sales do not include items sold at special events that are reportable on line 9. Sales of inventory items reportable on line 10 are sales of those items the organization makes to sell to others or buys for resale. Sales of investments on which the organization expected to profit by appreciation and sale are not reported here. Report sales of investments on line 8.

On line 10a, report gross sales revenue from sales of inventory items, whether the sales activity is an exempt function of the organization or an unrelated trade or business.

On line 10b, report the cost of goods sold related to the sales of such inventory. The usual items included in cost of goods sold are direct and indirect labor, materials and supplies consumed, freight-in, and a proportion of overhead expenses. Marketing and distribution costs are not included in cost of goods sold but are reported in Part II, column (B), *Program services*.

Attached schedule. In an attached schedule, give a breakdown of items sold; (for example, sales of food, souvenirs, electronic equipment, uniforms, or educational publications).

Line 11. Other Revenue

Enter the total amount from Part VII, lines 103(a) through (e) (Other revenue), columns (B), (D), and (E). This figure represents the total income from all sources not covered by lines 1 through 10 of Part I. Examples of income includible on line 11 are interest on notes receivable not held as investments or as program-related investments (defined in the line 2 instructions); interest on loans to officers, directors, trustees, key employees, and other employees; and royalties that are not investment income or program service revenue.

Lines 13 through 15—Program Services, Management and General, and Fundraising Expenses

Section 4947(a)(1) nonexempt charitable trusts and section 501(c)(3) and (4) organizations. Complete Part II and then enter on lines 13 through 15 the appropriate amounts from the totals for columns (B), (C), and (D) reported on line 44, Part II.

All other organizations. All other organizations are not required to complete lines 13 through 15 of the Form 990.

Line 16. Payments to Affiliates

This expense classification is used to report certain types of payments to organizations affiliated with (closely related to) a reporting agency.

Payments to affiliated state or national organizations. Dues paid by the local charity to its affiliated state or national (parent) organization are usually reported on line 16. Report on this line predetermined quota support and dues (excluding membership dues of the type described below) by local agencies to their state or national organizations for unspecified purposes; that is, general use of funds for the national organization's own program and support services.

Purchases from affiliates. Purchases of goods or services from affiliates are not reported on line 16 but are reported as expenses in the usual manner.

Expenses for providing goods or services to affiliates. In addition to payments made directly to affiliated organizations, expenses incurred in providing goods or services to affiliates may be reported on line 16 if:

1. The goods or services provided are not related to the program services conducted by the organization furnishing them (for example, when a local organization incurs expenses in the production of a solicitation film for the state or national organization); and

2. The costs involved are not connected with the management and general or fundraising functions of the reporting organization. For example, when a local organization gives a copy of its mailing list to the state or national organization, the expense of preparing the copy provided may be reported on line 16, but not expenses of preparing and maintaining the local organization's master list.

Federated fundraising agencies. These agencies (see the instructions for line 1b) should include in their own support the full amount of contributions received in connection with a solicitation campaign they conduct, even though donors designate specific agencies to receive part or all of their individual contributions. These fundraising organizations should report the allocations to participating agencies as grants and allocations (line 22) and quota support payments to their state or national organization as payments to affiliates (line 16).

Voluntary awards or grants to affiliates. Do not report on line 16 voluntary awards or grants made by the reporting agency to its state or national organization for specified purposes. Report these awards or grants on line 22, *Grants and allocations*.

Membership dues paid to other organizations. Report membership dues paid to obtain general membership benefits, such as regular services, publications, and materials, from other organizations as *Other expenses* on line 43. This is the case, for example, if a charitable organization pays dues to a trade association comprised of otherwise unrelated members.

Attached schedule. Attach a schedule listing the name and address of each affiliate that received payments reported on line 16. Specify the amount and purpose of the payments to each affiliate.



Properly distinguishing between payments to affiliates and grants and allocations is especially important if you use Form 990 for state reporting purposes. See General Instruction E. If you use Form 990 only for reporting to the IRS, payments to affiliated state or national organizations that do not represent membership dues reportable as Other expenses on line 43 (see instructions, earlier) may be reported either on line 16 or line 22 and explained in the required attachment.

Line 17. Total Expenses

Organizations using only column (A) of Part II should enter the total of line 16 and line 44 of column (A), Part II, on line 17. Other organizations should enter the total of lines 13 through 16. Organizations using Form 5500 or an approved DOL form as a partial substitute for Form 990 should enter the total expense figure from Form 5500, or from the required reconciliation schedule if Form LM-2 or LM-3 is used. See *General Instruction F*.

Line 18. Excess or (Deficit) for the Year

Enter the difference between lines 12 and 17. If line 17 is more than line 12, enter the difference in parentheses.

Line 19. Net Assets or Fund Balances, Beginning of Year

Enter the balance at the beginning of the year as reported in column (A) of line 73 (or from Form 5500 or an approved DOL form if *General Instruction F* applies). The balance at the beginning of the year for line 19 was the end of the year balance for line 21 and 73 as reported on the organization's prior year return.

Line 20. Other Changes in Net Assets or Fund Balances

Attach a schedule explaining any changes in net assets or fund balances between the beginning and end of the year that are not accounted for by the amount on line 18. Amounts to report here include adjustments of earlier years' activity; unrealized gains and losses on investments carried at market value; and any difference between fair market value and book value of property given as an award or grant. See *General Instruction G* regarding the reporting of a section 481(a) adjustment to conform to SFAS 116.

Line 21. Net Assets or Fund Balances, End of Year

Enter the total of lines 18, 19, and 20. This total figure must equal the amount reported for the end of the year in column (B) of line 73.

Part II—Statement of Functional Expenses

In General—

Column (A)

All organizations must complete column (A) unless they are using an approved DOL form or Form 5500 as a partial substitute for Form 990. See *General Instruction F*.

Columns (B), (C), and (D)

These columns are optional for all organizations except section 4947(a)(1) nonexempt charitable trusts and section 501(c)(3) and (4) organizations. Section 4947(a)(1) nonexempt charitable trusts and section 501(c)(3) and (4) organizations must complete columns (B), (C), and (D).

In Part II, the organization's expenses are designated by object classification (for example, salaries, legal fees, supplies, etc.) and allocated into three functions: *Program*

services (column (B)); *Management and general* (column (C)); and *Fundraising* (column (D)). These functions are explained below in the instructions for the columns. Do not include in Part II any expense items you must report on lines 6b, 8b, 9b, 10b, or 16 in Part I.

For reporting to the IRS only, use the organization's normal accounting method to report total expenses in column (A) and to segregate them into functions under columns (B), (C), and (D). However, for state reporting requirements, see *General Instructions E* and *G*. If the accounting system does not provide for this type of segregation, a reasonable method of allocation may be used. The amounts reported should be accurate and the method of allocation documented in the organization's records.

Report, in the appropriate column, expenses that are directly attributable to a particular functional category. In general, allocate expenses that relate to more than one functional category. For example, allocate employees' salaries on the basis of each employee's time. For some shared expenses such as occupancy, supplies, and depreciation of office equipment, use an appropriate basis for each kind of cost. However, you should report some other shared expenses in column (C) only. The column instructions below discuss allocating expenses.

Column (A)—Total

For column (A), total each line item of columns (B), (C), and (D) in Part II. Except for expenses you report on lines 6b, 8b, 9b, 10b, or 16 of Part I, you should use column (A) to report all expenses the organization paid or incurred.

Column (B)—Program Services

Program services are mainly those activities that the reporting organization was created to conduct and which, along with any activities commenced subsequently, form the basis of the organization's current exemption from tax. They may be self-funded or funded out of contributions, accumulated income, investment income, or any other source. Fundraising expenses should not be reported as program-related expenses even though one of the functions of the organization is to solicit contributions for other organizations.

Program services can also include the organization's unrelated trade or business activities. For example, publishing a magazine is a program service even though the magazine contains both editorials and articles that further the organization's exempt purpose and advertising, the income from which is taxable as unrelated business income.

If an organization receives a grant to do research, produce an item, or perform a service, either to meet the grantor's specific needs or to benefit the public directly, the costs incurred represent program service expenses. Do not treat these costs as fundraising expenses, even if you report the grant on line 1 as a contribution.

Column (C)—Management and General

Use column (C) to report the organization's expenses for overall function and management, rather than for its direct conduct of fundraising activities or program services. Overall management usually includes the salaries and expenses of the chief officer of the organization and that officer's staff. If part of their time is spent directly supervising program services and fundraising activities, their salaries and expenses should be allocated among those functions.

Other expenses to report in column (C) include those for meetings of the board of directors or similar group; committee and staff meetings (unless held in connection with specific program services or fundraising activities); general legal services; accounting (including patient accounting and billing); general liability insurance; office management; auditing, personnel, and other centralized services; preparation, publication, and distribution of an annual report; and investment expenses (however, report rental income expenses on line 6b and program-related income expenses in column (B)).

You should report only general expenses in column (C). Do not use this column to report costs of special meetings or other activities that relate to fundraising or specific program services.

Column (D)— Fundraising

Fundraising expenses are the total expenses incurred in soliciting contributions, gifts, grants, etc. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in: (a) publicizing and conducting fundraising campaigns; (b) soliciting bequests and grants from foundations or other organizations, or government grants reportable on line 1c; (c) participating in federated fundraising campaigns; (d) preparing and distributing fundraising manuals, instructions, and other materials; and (e) conducting special events that generate contributions reportable on line 1a, in addition to revenue reportable in the right-hand column on line 9a. However, report any expenses that are directly attributable to revenue shown on line 9a (for example, the direct expenses incurred in furnishing the goods or services sold) on line 9b.

Allocating Indirect Expenses

Colleges, universities, hospitals, and other organizations that accumulate indirect expenses in various cost centers (such as the expenses of operating and maintaining the physical plant) that are reallocated to the program services and other functional areas of the organization in single or multiple steps may find it easier to report these expenses in the following optional manner:

First, report the expenses of these indirect cost centers on lines 25 through 43 of column (C), *Management and general*, along with the expenses properly reportable in that column.

Second, allocate the total expenses for each cost center to columns (B), (C), and (D) (*Program services*, *Management and general*, and *Fundraising*) as a separate item entry on line 43, *Other expenses*. Enter the name of the cost center on line 43. If any of the cost center's expenses are to be allocated to the expenses listed in Part I (such as the expenses attributable to special events and activities), enter these expenses as a negative figure in columns (A) and (C). This prevents reporting the same expense in both Parts I and II. If part of the total cost center expenses are to be allocated to columns (B), *Program services*, and (D), *Fundraising*, enter these expenses as positive amounts in these columns and as single negative amounts in column (C), *Management and general*. Do not make any entries in column (A), *Total*, for these offsetting entries.

Example. An organization reports in column (C) \$50,000 of its actual management and general expenses and \$100,000 of expenses of an indirect cost center that are allocable in part to other functions. The total of lines 25 through 43 of column (C) would be \$150,000 before the indirect cost center

allocations were made. Assume that \$10,000 (of the \$100,000 total expenses of the cost center) was allocable to fundraising; \$70,000 to various program services; \$15,000 to management and general functions; and \$5,000 to special events and activities. To report this in Part II under this optional method:

1. Indicate the cost center, the expenses of which are being allocated, on line 43, as Allocation of (specify) expenses;
2. Enter a decrease of \$5,000 on the same line in the column (A), *Total*, representing the special event expenses that were already reported on line 9b in Part I;
3. Enter \$70,000 on the same line in column (B), *Program services*;
4. Enter \$10,000 on the same line in column (D), *Fundraising*; and
5. Enter a decrease of \$85,000 on the same line in column (C), *Management and general*, to represent the allocations to functional areas other than management and general.

| Line | (A) | (B) | (C) | (D) |
|---|-----------|--------|-----------|-----------|
| 25–43a | \$150,000 | \$ — | \$150,000 | \$ — |
| 43b Allocation of the \$100,000 indirect cost center expenses reported in (C) | (5,000) | 70,000 | (85,000) | 10,000 |
| 44 | \$145,000 | 70,000 | \$ 65,000 | \$ 10,000 |

After making these allocations, the column (C) total (line 44, column (C)) would be \$65,000, consisting of the \$50,000 actual management and general expense amount and the \$15,000 allocation of the aggregate cost center expenses to management and general.

The above is an example of a one-step allocation that shows how to report the allocation in Part II. This reporting method would actually be needed more for multiple step allocations involving two or more cost centers. The total expenses of the first would be allocated to the other functions, including an allocation of part of these expenses to the second cost center. The expenses of the second cost center would then be allocated to other functions and any remaining cost centers to be allocated, and so on. The greater the number of these cost centers that are allocated out, the more difficult it is to preserve the object classification identity of the expenses of each cost center (for example, salaries, interest, supplies, etc.). Using the reporting method described above avoids this problem.



CAUTION The intent of the above instructions is only to facilitate reporting indirect expenses by both object classification and function. These instructions do not permit the allocation to other functions of expenses that should be reported as management and general expenses.

Line 22. Grants and Allocations

Enter the amount of awards and grants to individuals and organizations selected by the filing organization. United Way and similar fundraising organizations should include allocations to member agencies.

Report voluntary awards and grants to affiliated organizations for specific (restricted) purposes or projects also on line 22, but not required payments to affiliates reportable on line 16.

Report scholarship, fellowship, and research grants to individuals on line 22. Certain other payments to, or for the benefit of, individuals may be reportable on line 23 instead. See the instructions for line 23 for details.

Report only the amount of actual grants and awards on line 22. Report expenses incurred in selecting recipients, or monitoring compliance with the terms of a grant or award, on lines 25 through 43.

In the spaces provided, give separate totals for cash and noncash grants and allocations made. Cash grants include only grants and allocations paid by cash, checks, money orders, wire transfers, and other charges against funds on deposit at a financial institution.

Reporting for line 22, in accordance with SFAS 116, is acceptable for Form 990 purposes, but not required by IRS. However, see *General Instruction E*.

An organization that makes a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 22. Accruals of present value increments to the unpaid grant should also be reported on line 22 in future years.

Attached schedule. Attach a schedule of amounts reported on line 22. Any grants or allocations reported on line 22 that were approved during the year, but not paid by the due date for filing Form 990 (including extensions), must be identified and listed separately in the schedule for line 22. Show on the schedule: (a) each class of activity; (b) grantee's name, address, and the amount given; and (c) (in the case of grants to individuals) relationship of grantee if related by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, etc.

On the schedule, classify activities in more detail than in such broad terms as charitable, educational, religious, or scientific. For example, identify payments for nursing services, laboratory construction, or fellowships.

If property other than cash is given, also show on the schedule: (a) a description of the property; (b) its book value and how the book value was determined; (c) its fair market value and how the fair market value was determined; (d) the date of the gift. If the fair market value of the property when the organization gave it is the measure of the award or grant, record any difference between fair market value and book value in the organization's books of account and on line 20.

Colleges, universities, and primary and secondary schools are not required to list the names of individuals who were provided scholarships or other financial assistance whether they are the recipients of federal grant money or not. Instead, these organizations must (a) group each type of financial aid provided; (b) indicate the number of individuals who received the aid; and (c) specify the aggregate dollar amount.

Line 23. Specific Assistance to Individuals

Enter the amount of payments to, or for the benefit of, particular clients or patients, including assistance rendered by others at the expense of the filing organization. Do not include grants to other organizations that select the person(s) to receive the assistance available through the use of the grant funds. For example, report a payment to a hospital to cover the medical expenses of a particular individual on line 23, but do not report a contribution to a hospital to provide some service to the general public or to unspecified charity patients on this line. Also, do not include scholarship, fellowship, or research

grants to individuals even though selected by the grantor organization. Report these grants on line 22 instead.

Attached schedule. Attach a schedule showing the total payments for each particular class of activity, such as food, shelter, and clothing for indigents or disaster victims; medical, dental, and hospital fees and charges; and direct cash assistance to indigents. For payments to indigent families, do not identify the individuals.

Line 24. Benefits Paid to or for Members

For an organization that provides benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), attach a schedule. Show amounts of: (a) death, sickness, hospitalization, or disability benefits; (b) unemployment compensation benefits; and (c) other benefits (state their nature). Do not report the cost of employment-related benefits the organization provides its officers and employees on this line. Report those expenses on lines 27 and 28.

Line 25. Compensation of Officers, Directors, etc.

Enter the total compensation paid to current and former officers, directors, trustees, and key employees for the year.

Compensation. Compensation includes all forms of income earned or received for services provided.

In Part V-A, give the name and compensation (if any) of each current officer, director, trustee, and key employee, along with the other information requested. In Part V-B, give the name and compensation (if any) of each former officer, director, trustee, and key employee, along with the other information requested. If no compensation was paid, enter zero. See the Part V-A instructions for a definition of key employee.

Form 941 must be filed to report income tax withholding and social security and Medicare taxes. The organization must also file Form 940 to report Federal unemployment taxes unless the organization is not subject to these taxes. See Pub.15 (Circular E) for details. See also the discussion of the *Trust Fund Recovery Penalty* given in *General Instruction D*.

Attached schedule. Attach a schedule showing for each current or former officer, director, trustee, and key employee a breakdown of the type and amount of compensation included in columns (C) through (E) of Parts V-A and V-B. The attached schedule must be supplied in addition to filling out line 25 and Parts V-A and V-B.

Example. Allocate the total compensation figure of line 25, column (A), by functional expenses represented by line 25, columns (B), (C), and (D). For instance, if key employee A spent 90% of her time running a program which constitutes the basis of the organization's exempt purpose and 10% in general management of the organization itself, key employee A's compensation should be allocated 90% to column (B), program services, and 10% to column (C), management and general. Conversely, if Director B is not paid as a member of the board, but is employed by the organization as a part-time fundraiser, all of Director B's compensation should be allocated to column (D), fundraising.

Line 26. Other Salaries and Wages

Enter the total amount of employees' salaries and wages, fees, bonuses, severance payments, and payments of compensation deferred in a prior year to all employees not reported on line 25.

Line 27. Pension Plan Contributions

Enter the employer's share of contributions to qualified and nonqualified pension plans for the year. Do not include contributions to qualified pension plans under section 401(a) for current or former officers, directors, trustees, or key employees, that were reported in line 25.

Complete Form 5500 for the organization's plan and file it as a separate return. If the organization has more than one plan, complete a Form 5500 for each plan. File the form by the last day of the 7th month after the plan year ends. See *General Instruction D* for a discussion of Form 5500.

Line 28. Other Employee Benefits

Enter the organization's contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan included on line 27.

Do not include contributions on behalf of current or former officers, directors, trustees, and key employees, that were included in line 25. Report expenses for employee events such as a picnic or holiday party on line 28.

Line 29. Payroll Taxes

Enter the amount of federal, state, and local payroll taxes for the year but only those taxes that are imposed on the organization as an employer. This includes the employer's share of social security and Medicare taxes, the Federal unemployment tax (FUTA), state unemployment compensation taxes, and other state and local payroll taxes. Do not include taxes withheld from employees' salaries and paid to the various governmental units such as federal and state income taxes and the employees' shares of social security and Medicare taxes.

Line 30. Professional Fundraising Fees

Enter the organization's fees to outside fundraisers who are paid primarily for solicitation campaigns they conducted or for consultation services connected with a solicitation of contributions by the organization itself. Do not include salaries of employees who undertake fundraising as part of their employment duties.

Line 31. Accounting Fees

Enter the total accounting and auditing fees charged by outside firms and individuals who are not employees of the reporting organization.

Line 32. Legal Fees

Enter the total legal fees charged by outside firms and individuals who are not employees of the reporting organization. Do not include any penalties, fines, or judgments imposed against the organization as a result of legal proceedings. Report those expenses on line 43, *Other expenses*.

Line 33. Supplies

Enter the total for office, classroom, medical, and other supplies used during the year, as determined by the organization's normal method of accounting for supplies.

Line 34. Telephone

Enter the total telephone, telegram, and similar expenses for the year.

Line 35. Postage and Shipping

Enter the total amount of postage, parcel delivery, trucking, and other delivery expenses, including the cost of shipping materials. Include the costs of outside mailing services on this line.

Line 36. Occupancy

Enter the total amount paid or incurred for the use of office space or other facilities, heat, light, power, and other utilities (other than telephone expenses reported on line 34), outside janitorial services, mortgage interest, property insurance, real estate taxes, and similar expenses.

Occupancy expenses paid or incurred for program-related income, reportable on line 2, are included on line 36. Do not subtract rental income received from renting or subletting rented space from the amount reported for occupancy expense on line 36. If the activities of the organization's tenant are related to the reporting organization's exempt purpose, report rental income as program-service revenue and allocable occupancy expenses on line 36. However, if the tenant's activities are not program related, report such rental income on line 6a and related rental expenses on line 6b.

Do not include, as an occupancy expense, depreciation (reportable on line 42) or any salaries of the reporting organization's own employees (reportable on line 26).

Line 37. Equipment Rental and Maintenance

Enter the cost of renting and maintaining office equipment and other equipment, except for automobile and truck expenses reportable on lines 35 and 39.

Line 38. Printing and Publications

Enter the printing and related costs of producing the reporting organization's own newsletters, leaflets, films, and other informational materials on this line. Also include the cost of any purchased publications. However, do not include any expenses, such as salaries or postage, for which a separate line is provided in Part II.

Line 39. Travel

Enter the total travel expenses, including transportation costs (fares, mileage allowances, and automobile expenses), meals and lodging, and per diem payments.

Line 40. Conferences, Conventions, and Meetings

Enter the total expenses incurred by the organization in conducting meetings related to its activities. Include such expenses as the rental of facilities, speakers' fees and expenses, and printed materials. Include the registration fees (but not travel expenses) paid for sending any of the organization's staff to conferences, meetings, or conventions conducted by other organizations. However, do not include on this line the salaries and travel expenses of the reporting organization's own officers, directors, trustees, and employees who participate.

Line 41. Interest

Enter the total interest expense for the year. Do not include any interest attributable to rental property (reportable on line 6b) or any mortgage interest treated as occupancy expense on line 36.

Line 42. Depreciation, Depletion, etc.

If the organization records depreciation, depletion, and similar expenses, enter the total for the year. Include any depreciation (amortization) of leasehold improvements. The organization is not required to use the Modified Accelerated Cost Recovery System (MACRS) to compute the depreciation reported on Form 990 or Form 990-EZ. If the organization records depreciation using MACRS, attach Form 4562, or a schedule showing the same

information required by Form 4562. If the organization does not use MACRS, attach a schedule showing how depreciation was computed.

For an explanation of acceptable methods for computing depreciation, see Pub. 946.

If the organization claims a deduction for depletion, attach a schedule explaining the deduction.

Line 43. Other Expenses

Show the type and amount of each functional expense for which a separate line is not provided. You may report minor miscellaneous expenses as a single total. The total of minor miscellaneous expenses grouped together on line 43, may not exceed 5% of the total of all functional expenses (line 44).

Expenses that might be categorized and reported as functional expenses on line 43 include:

- Investment counseling and other professional fees. (Do not include professional fundraising fees, accounting fees, or legal fees on line 43; these are reportable on lines 30 through 32.)
- Penalties, fines, and judgments;
- Unrelated business income taxes;
- Insurance and real estate taxes not attributable to rental property or reported as occupancy expenses;
- Other expenses the organization tracks, not included on other lines of Part II.

Additionally, health care organizations must separately categorize and itemize payments to health care professionals who are not employees of the health care organization. Attach a schedule if more space is needed.

Attach a schedule if more space is needed.

State reporting—miscellaneous expenses.

Some states that accept Form 990, or Form 990-EZ, in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized regardless of amount. See *General Instruction E*.

Line 44. Total Functional Expenses

Add lines 22 through 43g and enter the totals on line 44 in columns (A), (B), (C), and (D). Report the total amounts for columns (B), (C), and (D) in Part I, lines 13 through 15.

Reporting of Joint Costs

Organizations that included in program service expenses (column (B) of Part II) any joint costs from a combined educational campaign and fundraising solicitation must disclose how the total joint costs of all such combined activities were reported in Part II.

Organizations answering "Yes" to the joint-cost question following line 44 must furnish the relevant financial data in the spaces provided.

An organization conducts a combined educational campaign and fundraising solicitation when it solicits contributions (by mail, telephone, broadcast media, or any other means) and includes, with the solicitation, educational material or other information that furthers a bona fide nonfundraising exempt purpose of the organization.

Expenses attributable to providing information regarding the organization itself, its use of past contributions, or its planned use of contributions received are not program service expenses and should not be included in column (B). This is true whether or not the organization accounts for joint costs in accordance with the AICPA's Statement of Position 98-2, *Accounting for Costs of Materials and Activities of Not-for-Profit*

Organizations and State and Local Government Entities that Include Fund Raising. Any method of allocating joint costs to program service expenses must be reasonable under the facts and circumstances of each case. Most states with reporting requirements for charitable and other organizations that solicit contributions either require or allow the reporting of joint costs according to Statement of Position 98-2 standards.

Part III—Statement of Program Service Accomplishments

A program service is a major (usually ongoing) objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters.

| Step | Action |
|------|---|
| 1 | State the organization's primary exempt purpose. |
| 2 | <p>All organizations must describe their exempt purpose achievements for each of their four largest program services (as measured by total expenses incurred). If there were four or fewer of such activities, describe each program service activity.</p> <ul style="list-style-type: none"> • Describe program service accomplishments through measurements such as clients served, days of care, therapy sessions, or publications issued. • Describe the activity's objective, for both this time period and the longer-term goal, if the output is intangible, such as in a research activity. • Give reasonable estimates for any statistical information if exact figures are not readily available. Indicate that this information is estimated. • Be clear, concise, and complete in your description. Avoid adding an attachment. |
| 3 | <p>If part of the total expenses of any program service consists of grants and allocations reported on line 22, enter the amount of grants and allocations in the space provided and include the grants and allocations in the <i>Expenses</i> column. If the amount of grants and allocations entered includes foreign grants, check the box to the left of the entry space for <i>Program services expenses</i>.</p> <ul style="list-style-type: none"> • Section 501(c)(3) and (4) organizations, and section 4947(a)(1) nonexempt charitable trusts, must show the amount of grants and allocations to others must enter the total expenses for each program service reported. • For all other organizations, completing the <i>Program Services Expenses</i> column (and the <i>Grants and allocations</i> entry) in Part III is optional. |
| 4 | <p>Attach a schedule that lists the organization's other program services.</p> <ul style="list-style-type: none"> • The detailed information required for the four largest services is not necessary for this schedule. |

- Section 501(c)(3) and (4) organizations, and section 4947(a)(1) nonexempt charitable trusts, however, must show the expenses attributable to their program services.

- 5 The organization may show the amount of any donated services, or use of materials, equipment, or facilities it received or utilized in connection with a specific program service.

- Disclose the applicable amounts of any donated services, etc., on the lines for the narrative description of the appropriate program service.

- Do not include these amounts in the expense column in Part III.

- See the instructions for line 82.

Part IV—Balance Sheets

All organizations, except those that meet one of the exceptions in *General Instruction F*, must complete all of Part IV and may not submit a substitute balance sheet. Failure to complete Part IV may result in penalties for filing an incomplete return. See *General Instruction K*. If there is no amount to report in column (A), *Beginning of year*, place a zero in that column.

See *General Instruction E* for details on completing a Form 990, or Form 990-EZ, to be filed with any state or local governmental agency.

When a schedule is required to be attached for any line item in Part IV, it is only for the end-of-year balance sheet figure reported in column (B). Give the end-of-year figures for any receivables or depreciable assets and the related allowances for doubtful accounts or accumulated depreciation reported within the description column.

Line 45. Cash—Non-Interest-Bearing

Enter the total of non-interest-bearing checking accounts, deposits in transit, change funds, petty cash funds, or any other non-interest-bearing account. Do not include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 46. Savings And Temporary Cash Investments

Enter the total of interest-bearing checking accounts, savings and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than 1 year. Report the income from these investments on line 4.

Line 47. Accounts Receivable

Enter the total accounts receivable (reduced by the allowance for doubtful accounts) from the sale of goods and/or the performance of services. Report claims against vendors or refundable deposits with suppliers or others here, if not significant in amount. Otherwise, report them on line 58, *Other assets*. Report any receivables due from officers, directors, trustees, or key employees on line 50. Report receivables (including loans and advances) due from other employees on line 51a.

Line 48. Pledges Receivable

Enter the total pledges receivable recorded as of the beginning and end of the year. Do not include the amount of pledges estimated to be uncollectible.

Line 49. Grants Receivable

Enter the total grants receivable from governmental agencies, foundations, and other organizations as of the beginning and end of the year. Organizations that follow SFAS 116 may report the present value of the grants receivable as of each balance sheet date.

Line 50. Receivables From Officers, Directors, Trustees, And Key Employees

Report all receivables due from current and former officers, directors, trustees, and key employees, and all secured and unsecured loans to such persons, on line 50 and in an attached schedule discussed below. Report interest from such receivables on line 11. For a definition of key employee, see the instructions in Part V-A.

When receivables should be reported separately.

In the required schedule, report each receivable separately even if more than one loan was made to the same person or the same terms apply to all loans. Report salary advances, and other advances for the personal use and benefit of the recipient, and receivables subject to special terms, or arising from nontypical transactions, as separate loans for each current and former officer, director, trustee, and key employee.

Schedule format. For each outstanding loan, or other receivable that must be reported separately, the attached schedule should show the following information (preferably in columnar form):

1. Borrower's name and title,
2. Original amount,
3. Balance due,
4. Date of note,
5. Maturity date,
6. Repayment terms,
7. Interest rate,
8. Security provided by the borrower,
9. Purpose of the loan, and
10. Description and fair market value of the

consideration furnished by the lender (for example, cash—\$1,000; or 100 shares of XYZ, Inc., common stock—\$9,000).

Line 51. Other Notes and Loans Receivable

Line 51a. Enter on line 51a the combined total of receivables (both notes and loans) to non-key employees. Do not include the following on line 51a.

- Receivables reported on line 50.
- Program-related investments. (Report program-related investments on line 58.)
- Notes receivable acquired as investments (report receivables acquired as investments on line 56).

For notes and loans that represent program-related investments (defined in the line 2 instructions), report the interest income on line 2. For all other notes and loans receivable included on line 51, report the income on line 11.

Line 51b. Enter on line 51b the total amount of doubtful accounts.

Notes receivable. Enter the amount of all notes receivable not listed on line 50 and not acquired as investments. Attach a schedule similar to that requested in the instructions for line 50. The schedule should also describe the family or business relationship of the borrower to any officer, director, trustee, key employee, or substantial contributor of the organization.

Notes receivable from loans by a credit union to its members and scholarship loans by a section 501(c)(3) organization do not have to be itemized. However, identify these loans as

such on a schedule and indicate the total amount of such loans that are outstanding.

For a note receivable from another organization exempt under the same paragraph of section 501(c) as the filing organization, list only the name of the borrower and the balance due. For example, a section 501(c)(3) organization would have to provide the full details of a loan to a section 501(c)(4) organization but would have to provide only the name of the borrower and the balance due on a note from a loan to another section 501(c)(3) organization.

Loans receivable. Enter the gross amount of loans receivable, less the allowance for doubtful accounts, from the normal activities of the filing organization such as loans by a credit union to its members or scholarship loans by a section 501(c)(3) organization. A schedule of these loans is not required.

Report loans to current and former officers, directors, trustees, and key employees on line 50. Report loans to non-key employees, vendors, suppliers, and independent contractors on line 51. Attach a schedule similar to that called for in the instructions for line 50. The schedule should also describe the family or business relationship, if any, between the borrower and any officer, director, trustee, key employee, or *substantial contributor* of the organization as defined in section 507(d)(2)(A).

Family relationships includes an individual's spouse, ancestors, children, grandchildren, great-grandchildren, siblings (whether by whole or half blood), and the spouses of children, grandchildren, great-grandchildren, and siblings.

Business relationships are employment and contractual relationships, and common ownership of a business where any officers, directors, or trustees, individually or together, possess more than a 35% ownership interest in common. Ownership means voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.



Report program related investments on line 58.

Line 52. Inventories For Sale Or Use

Enter the amount of materials, goods, and supplies purchased, manufactured by the organization, or donated and held for future sale or use.

Line 53. Prepaid Expenses And Deferred Charges

Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, and pension costs, and expenses incurred for a solicitation campaign of a future accounting period.

Line 54. Investments (Securities)

Enter the book value, which may be market value, of securities held as investments. Check the appropriate box to indicate whether the securities are reported at cost or fair market value. When valuing securities at fair market value, use commonly accepted valuation methods. (See Regulations section 20.2031-2.) Attach a schedule that lists the securities held at the end of the year. Indicate whether the securities are listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end-of-year market value. Debt securities of the U.S., state, and municipal governments, corporate stocks and bonds, and other publicly traded securities (defined in the instructions for line 8) do not

have to be listed individually, except for stock holdings that represent 5% or more of the outstanding shares of stock of the same class. However, show separate totals for each type of security (U.S. Government obligations, corporate stocks, etc.). Do not include amounts reported on line 46. Report dividends and interest from these securities on line 5.

Line 55. Investments (Land, Buildings, and Equipment)

Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment held for investment purposes, such as rental properties. Attach a schedule listing these fixed assets held as investments at the end of the year. Show for each item or category listed, the cost or other basis, accumulated depreciation, and book value. Report the income from these assets on line 6a.

Line 56. Investments (Other)

Enter the amount of all other investment holdings not reported on line 54 or 55. Attach a schedule listing and describing each of these investments held at the end of the year. Show the book value for each and indicate whether the investment is listed at cost or end-of-year market value. Report the income from these assets on line 7. Do not include program-related investments. See the instructions for line 58.

Line 57. Land, Buildings, and Equipment

Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment owned by the organization and not held for investment. This includes any property, plant, and equipment owned and used by the organization in conducting its exempt activities. Attach a schedule listing these fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 58. Other Assets

List and show the book value of each category of assets not reportable on lines 45 through 57. Attach a separate schedule if more space is needed.

One type of asset reportable on line 58 is program-related investments. These are investments made primarily to accomplish an exempt purpose of the filing organization rather than to produce income.

Line 59. Total Assets

Enter the total of lines 45 through 58. The amounts on line 59 must equal the amounts on line 74 for both the beginning and end of the year.

Line 60. Accounts Payable and Accrued Expenses

Enter the total of accounts payable to suppliers and others and accrued expenses, such as salaries payable, accrued payroll taxes, and interest payable.

Line 61. Grants Payable

Enter the unpaid portion of grants and awards that the organization has made a commitment to pay other organizations or individuals, whether or not the commitments have been communicated to the grantees.

Line 62. Deferred Revenue

Include revenue that the organization has received but not yet earned as of the balance sheet date under its method of accounting.

Line 63. Loans From Officers, Directors, Trustees, and Key Employees

Enter the unpaid balance of loans received from current and former officers, directors, trustees, and key employees. See the instructions for Part V-A for the definition of key employee. For loans outstanding at the end of the year, attach a schedule that shows, for each loan, the name and title of the lender and the information specified in items 2 through 10 of the instructions for line 50.

Line 64a. Tax-Exempt Bond Liabilities

Enter the amount of tax-exempt bonds (or other obligations) issued by the organization on behalf of a state or local governmental unit, or by a state or local governmental unit on behalf of the organization, and for which the organization has a direct or indirect liability. Tax-exempt bonds include state or local bonds and any obligations, including direct borrowing from a lender, or certificates of participation, the interest on which is excluded from the income of the recipient for federal income tax purposes under section 103.

For all such bonds and obligations outstanding at any time during the year, attach a schedule showing for each separate issue: (a) the purpose of the issue; (b) the amount of the issue outstanding; and (c) the unexpended bond proceeds, if any. Also indicate whether any portion of any bond-financed facility was used by a third party (other than a governmental unit or section 501(c)(3) organization), and, if so, state the percentage of space used by the third party.

If the tax-exempt bond or obligation is in the form of a mortgage, include the amount of the mortgage on line 64a, and not on line 64b. For such mortgage, include in the above listing, the maturity date of the debt, repayment terms, interest rate, and any security provided by the organization.

Line 64a does not, however, refer to situations where the organization only has a contingent liability, as it would if it were a guarantor of tax-exempt bonds issued by a related entity. Contingent liabilities, such as those that arise from guarantees, should be included as an entry in the separately attached schedule required for line 64a.

Line 64b. Mortgages and Other Notes Payable

Enter the amount of mortgages and other notes payable at the beginning and end of the year. Attach a schedule showing, as of the end of the year, the total amount of all mortgages payable and, for each nonmortgage note payable, the name of the lender and the other information specified in items 2 through 10 of the instructions for line 50. The schedule should also identify the relationship of the lender to any officer, director, trustee, or key employee of the organization.

Line 65. Other Liabilities

List and show the amount of each liability not reportable on lines 60 through 65. Attach a separate schedule if more space is needed.

Lines 67 through 69. Net Assets

The Financial Accounting Standards Board issued *Financial Statements of Not-for-Profit Organizations* (SFAS 117). SFAS 117 provides standards for external financial statements certified by an independent accountant for certain types of nonprofit organizations. SFAS 117 does not apply to credit unions, voluntary employees' beneficiary associations, supplemental unemployment benefit trusts, section 501(c)(12) cooperatives, and other

member benefit or mutual benefit organizations.

While some states may require reporting in accordance with SFAS 117, the IRS does not (see *General Instruction E*). However, a Form 990, or Form 990-EZ, return prepared in accordance with SFAS 117 will be acceptable to the IRS.

Organizations that follow SFAS 117. If the organization follows SFAS 117, check the box above line 67. Classify and report net assets in three groups—unrestricted, temporarily restricted, and permanently restricted—based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. Show the sum of the three classes of net assets on line 73. On line 74, add the amounts on lines 66 and 73 to show total liabilities and net assets. This figure should be the same as the figure for *Total assets* on line 59.

Line 67. Unrestricted

Enter the balances per books of the unrestricted class of net assets. Unrestricted net assets are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. All funds without donor-imposed restrictions must be classified as unrestricted, regardless of the existence of any board designations or appropriations.

Line 68. Temporarily Restricted

Enter the balance per books for the temporarily restricted class of net assets. Donors' temporary restrictions may require that resources be used in a later period or after a specified date (time restrictions), or that resources be used for a specified purpose (purpose restrictions), or both.

Line 69. Permanently Restricted

Enter the total of the balances for the permanently restricted class of net assets. Permanently restricted net assets are (a) assets, such as land or works of art, donated with stipulations that they be used for a specified purpose, be preserved, and not be sold or (b) assets donated with stipulations that they be invested to provide a permanent source of income. The latter result from gifts and bequests that create permanent endowment funds.

Organizations that do not follow SFAS 117. If the organization does not follow SFAS 117, check the box above line 70 and report account balances on lines 70 through 72. Report net assets or fund balances on line 73. Complete line 74 to report the sum of the total liabilities and net assets.

Some states that accept Form 990, or Form 990-EZ, as their basic reporting form may require a separate statement of changes in net assets/fund balances. See *General Instruction E*.

Line 70. Capital Stock, Trust Principal, or Current Funds

For corporations, enter the balance per books for capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received upon issuance) of all classes of stock issued and, as yet, uncanceled. For trusts, enter the amount in the trust principal or corpus account. For organizations continuing to use the fund method of accounting, enter the fund balances for the organization's current restricted and unrestricted funds.

Line 71. Paid-In or Capital Surplus, or Land, Bldg., and Equipment Fund

Enter the balance per books for all paid-in capital in excess of par or stated value for all stock issued and uncanceled. If stockholders

or others gave donations that the organization records as paid-in capital, include them here. Report any current-year donations you included on line 71 in Part I, line 1. Enter the fund balance for the land, building, and equipment fund on this line.

Line 72. Retained Earnings or Accumulated Income, Endowment, or Other Funds

For corporations, enter the balance in the retained earnings, or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance per books in the accumulated income or similar account. For those organizations using fund accounting, enter the total of the fund balances for the permanent and term endowment funds as well as balances of any other funds not reported on lines 70 and 71.

Line 73. Total Net Assets or Fund Balances

For organizations that follow SFAS 117, enter the total of lines 67 through 69. For all other organizations, enter the total of lines 70 through 72. Enter the beginning-of-the-year figure on line 73, column (A), in Part I, line 19. The end-of-the-year figure on line 73, column (B) must agree with the figure on line 21 of Part I.

Line 74. Total Liabilities and Net Assets/Fund Balances

Enter the total of lines 66 and 73. This amount must equal the amount for total assets reported on line 59 for both the beginning and end of the year.

Parts IV-A and IV-B—Reconciliation Statements

Use these reconciliation statements to reconcile the differences between the revenue and expenses shown on the organization's audited financial statements prepared in accordance with SFAS 117 and the revenue and expenses shown on the organization's Form 990.

If the organization did not receive an audited financial statement for 2005 (or the fiscal year for which it is completing this Form 990) and prepared the return in accordance with SFAS 117, it does not need to complete Parts IV-A or IV-B and should instead enter "N/A" on line a of each Part.

These two Parts do not have to be completed on group returns.

On line d1 of Parts IV-A and IV-B, include only those investment expenses netted against investment income in the revenue portion of the organization's audited financial statements. Do not include program-related investment expenses or other expenses reported as program service expenses in the audited statement of activities.

Part V-A — Current Officers, Directors, Trustees, and Key Employees

List each person who was a current officer, director, trustee, or key employee (defined below) of the organization or disregarded entity described in Regulations sections 301.7701-1 through 301.7701-3 at any time during the year even if they did not receive any compensation from the organization.

Enter a zero in columns (B), (C), (D), or (E) if no hours were entered in column (B) and no compensation, contributions, expenses and other allowances were paid during the

reporting year, or deferred for payment to a future accounting period.

Aid in the processing of your return by grouping together, preferably at the end of your list, those who received no compensation. Be careful not to repeat names.

Give the preferred address at which officers, etc., want the Internal Revenue Service to contact them.

Use an attachment if there are more persons to list in Part V-A.

Show all forms of cash and noncash compensation received by each listed officer, etc., whether paid currently or deferred.

If you pay any other person, such as a management services company, for the services provided by any of your officers, directors, trustees, or key employees, report the compensation and other items in Part V-A as if you had paid the officers, etc., directly. Also see, Ann. 2001-33, 2001-17 I.R.B. 1137.

A failure to fully complete Part V-A can subject both the organization and the individuals responsible for such failure to penalties for filing an incomplete return. See *General Instruction K*. In particular, entering the phrase on Part V-A, "Information available upon request," or a similar phrase, is not acceptable.

The organization may also provide an attachment to explain the entire 2005 compensation package for any person listed in Part V-A.

Each person listed in Part V-A should report the listed compensation on his or her income tax return unless the Code specifically excludes any of the payments from income tax. See Pub. 525 for details.

Key employee. A *key employee* is any person having responsibilities, powers, or influence similar to those of officers, directors, or trustees. The term includes the chief management and administrative officials of an organization (such as an executive director or chancellor).

Column (B)

In column (B), a numerical estimate of the average hours per week devoted to the position is required for a complete answer. Statements such as "as needed," "as required," or "40+" are unacceptable.

Column (C)

For each person listed, report salary, fees, bonuses, and severance payments paid. Include current-year payments of amounts reported or reportable as deferred compensation in any prior year.

Column (D)

Include in this column all forms of deferred compensation and future severance payments (whether or not funded; whether or not vested; and whether or not the deferred compensation plan is a qualified plan under section 401(a)). Include also payments to welfare benefit plans on behalf of the officers, etc. Such plans provide benefits such as medical, dental, life insurance, severance pay, disability, etc. Reasonable estimates may be used if precise cost figures are not readily available.

Unless the amounts were reported in column (C), report, as deferred compensation in column (D), salaries and other compensation earned during the period covered by the return, but not yet paid by the date the organization files its return.

Column (E)

Enter both taxable and nontaxable fringe benefits (other than *de minimis* fringe benefits

described in section 132(e)). Include expense allowances or reimbursements that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made under indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. See Pub. 525 for more information.

Line 75c. Compensation From Related Organizations

Answer "Yes" to this question if any officer, director, trustee, key employee, or highest compensated employees, or highest compensated professional and non-professional independent contractors received aggregate compensation amounts of \$50,000 or more from your organization and all related organizations (as defined below). For this purpose, *compensation* includes any amount that would be reportable in column (C), (D), or (E) of Part V-A if provided by the filing organization.

Report any compensation paid by a related organization for only that period where a control or other relationship existed between the organizations. Report compensation paid by a related organization in the same period (calendar or fiscal year) as compensation paid by the Form 990 filer.

Organizations answering "Yes" must attach a schedule that lists, for each officer, director, trustee, key employee, highest compensated employees, or highest compensated professional and non-professional independent contractors, a description of the relationship between the organization and the other organization, receiving such compensation, the name and EIN of each related organization that provided the compensation and the amount each provided. Use the same format as required by columns (C) through (E) of Part V-A.

Providing information on compensation received from related organizations does not violate the disclosure provisions of section 7216(a). See also section 6033(a)(1).

For purposes of reporting on the Form 990, *related organizations* are tax-exempt or taxable entities with a close connection. A *close connection* that binds related organizations may include:

- Common control of one or more of the organizations;
 - Direct or indirect control of one organization by another through common governance;
 - Direct or indirect ownership of one organization by another;
 - Control of one organization by another through authority to approve budgets or expenditures;
 - Coordination of operations as to facilities, programs, employees, or other activities;
 - Common persons exercising substantial influence over all of the organizations.
- Thus, the close connection that creates related entities includes, but is broader than direct or indirect ownership or control.

Common control. Common control occurs when the filing organization and one or more other organizations have (1) a majority of their governing boards or officers appointed or elected by the same organization(s), or (2) a majority of their governing boards or officers

consist of the same individuals. Common control also occurs when the filing organization and one or more commonly controlled organizations have a majority ownership interest in a corporation, partnership, or trust.

Ownership means holding (directly or indirectly) 50% or more of the voting power in a corporation, profits interest in a partnership, or beneficial interest in a trust.

Supporting organizations. A *supporting organization* is a tax-exempt entity whose purpose is to benefit or further the purposes of one or more charities. All section 509(a)(3) supporting organizations, whether Type 1 (operated, supervised, or controlled by); Type 2 (supervised or controlled in connection with); or Type 3 (operated in connection with); are considered related organizations with respect to the organization(s) they support. Therefore, the compensation reporting requirement of line 75c applies to both supported and supporting organizations.

Examples of related organizations. A relationship between the filing organization and one or more other organizations could include any of the following situations:

1. You control the organization or it controls you through common officers, directors, or trustees, or through authority to approve budgets or expenditures.
2. You and the other organization(s) were created at approximately the same time and by the same persons.
3. You and the other organization(s) operate in a coordinated manner with respect to facilities, programs, employees, or other activities.
4. Persons who exercise substantial influence over you also exercise substantial influence over the other organization.

Example. Organization A, a 501(c)(3) public charity, is not owned or controlled by Organization B, a 501(c)(4) social welfare organization. However, the tax-exempt purposes of both organizations focus on the same part of the world, where natural disasters have occurred. Fifty percent (50%) of A's board are also members of B's board. CEO of A is also a board member of B.

A and B agree to cooperate in a charitable project. An employee of B conducts fundraising among B's members, with the proceeds going to A to carry out disaster relief. The CEO's of A and B agree that A will pay a portion of the B employee salary for a period of time in recognition of the fundraising assistance of B. A and B are related entities by virtue of the overlap in board membership, common persons exercising substantial influence over both organizations (CEO of A), and payment of salary to an employee of B by A. B should report the payment from A in line 75c.

Example. A hospital auxiliary that raises funds for Hospital Y or coordinates the efforts of that hospital's volunteer staff would be a supporting organization of Hospital Y and, thus, a related organization, even if the hospital does not own or control the auxiliary. Hospital Y, in turn, would be a supported organization of the auxiliary. The hospital must report (on an attachment to its return) the compensation paid by the auxiliary to the officer, director, trustee, or key employee of the hospital. The same reporting requirement would apply to compensation paid by Hospital Y to an officer, etc., of the auxiliary.

Part V-B. Former Officers, Directors, Trustees, and Key

Employees That Received Compensation or Other Benefits

List each former officer, director, trustee, and key employee (as defined in Part V-A) of the organization or disregarded entity described in Regulations sections 301.7701-1 through 301.7701-3 that received compensation or other benefits during the tax year.

Give the preferred address at which these former officers, etc., want the Internal Revenue Service to contact them.

Use an attachment if there are more persons to list in Part V-B.

Show all forms of cash and noncash compensation or benefits received by each listed former officer, etc., whether paid currently or deferred.

If you pay any other person, such as a management services company, for the services provided by any of your officers, directors, trustees, or key employees, report the compensation and other items in Part V-A as if you had paid the officers, etc., directly.

A failure to fully complete Part V-B can subject both the organization and the individuals responsible for such failure to penalties for filing an incomplete return. See *General Instruction K*. In particular, entering the phrase on Part V-B, "Information available upon request," or a similar phrase, is not acceptable.

The organization may also provide an attachment to explain the entire 2005 compensation package for any person listed in Part V-B.

Each person listed in Part V-B should report the listed compensation on his or her income tax return unless the Code specifically excludes any of the payments from income tax. See Pub. 525 for details.

Column (B)

In column (B), report all secured and unsecured loans and salary advances to former officers, directors, trustees and key employees.

Column (C)

For each person listed, report salary, fees, bonuses, and severance payments paid. Include current-year payments of amounts reported or reportable as deferred compensation in any prior year.

Column (D)

Include in this column all forms of deferred compensation and future severance payments (whether or not funded; whether or not vested; and whether or not the deferred compensation plan is a qualified plan under section 401(a)). Include also payments to welfare benefit plans on behalf of the officers, etc. Such plans provide benefits such as medical, dental, life insurance, severance pay, disability, etc. Reasonable estimates may be used if precise cost figures are not readily available.

Unless the amounts were reported in column (C), report, as deferred compensation in column (D), salaries and other compensation earned during the period covered by the return, but not yet paid by the date the organization files its return.

Column (E)

Enter both taxable and nontaxable fringe benefits (other than *de minimis* fringe benefits described in section 132(e)). Include expense allowances or reimbursements that the recipients must report as income on their separate income tax returns. Examples include

amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made under indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. See Pub. 525 for more information.

Part VI—Other Information

• Section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts must also complete and attach a Schedule A (Form 990 or 990-EZ) to their Form 990 or Form 990-EZ. See *General Instruction D* for information on Schedule A (Form 990 or 990-EZ).

• Answer "Yes," "No," or "N/A" to each question.

Line 76. Change in Activities

Attach a statement to explain any significant changes in the kind of activities the organization conducts to further its exempt purpose. Include new or modified activities not listed as current or planned in the organization's application for recognition of exemption, or not yet reported to the IRS by a letter to its Director EO Examination or by an attachment to the organization's return for any earlier year. Also include any major program activities that are being discontinued.

Line 77. Changes In Organizing or Governing Documents

Attach a conformed copy of any changes to the articles of incorporation, or association, constitution, trust instrument, or other organizing document, or to the bylaws or other governing document. If you are filing electronically, conformed copies of changes to these documents should be sent to the IRS in Cincinnati, OH, at the address in *General Instruction A*.

A *conformed copy* is one that agrees with the original document and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Photocopies of articles of incorporation showing the certification of an appropriate state official do not have to be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for details. When a number of changes are made, attach a copy of the entire revised organizing instrument or governing document.

However, if your exempt organization changes its legal structure, such as from a trust to a corporation, you must file a new exemption application to establish that the new legal entity qualifies for exemption.

Line 78. Unrelated Business Income

Political organizations described in section 527 are not required to answer this question.

Check "Yes" on line 78a if the organization's total gross income from all of its unrelated trades and businesses is \$1,000 or more for the year. Gross income is the amount of gross receipts less the cost of goods sold. See Pub. 598 for a description of unrelated business income and the Form 990-T filing requirements for section 501(c), (e), (f), (k), and (n) organizations having such income.

Form 990-T is not a substitute for Form 990. Report on Form 990, or Form 990-EZ, items of income and expense that are also reported on Form 990-T when the organization is required to file both forms.



All tax-exempt organizations must pay estimated taxes with respect to their unrelated business income if they expect their tax liability to be \$500 or more. Use Form 990-W to compute this tax.

Line 79. Liquidation, Dissolution, Termination, or Substantial Contraction

For a complete liquidation of a corporation or termination of a trust, check the *Final return* box in the heading on page 1 of the form. If there was a liquidation, dissolution, termination, or substantial contraction, attach a statement explaining what took place.

On the attached statement, show whether the assets have been distributed and the date of distribution. Also attach a certified copy of any resolution, or plan of liquidation or termination, etc., with all amendments or supplements not already filed. In addition, attach a schedule listing the names and addresses of all persons who received the assets distributed in liquidation or termination, the kinds of assets distributed to each one, and each asset's fair market value.

A *substantial contraction* is a partial liquidation or other major disposition of assets except transfers for full consideration or distributions from current income.

A *major disposition of assets* means any disposition for the tax year that is:

1. At least 25% of the fair market value of the organization's net assets at the beginning of the tax year; or
2. One of a series of related dispositions begun in earlier years that add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions depends on the facts in each case.

See Regulations section 1.6043-3 for special rules and exceptions.

Line 80. Relation To Other Organizations

Answer "Yes" if most (more than 50%) of the organization's governing body, officers, directors, trustees, or membership are also officers, directors, trustees, or members of any other organization.

Disregard any coincidental overlap of membership with another organization; that is, when membership in one organization is not a condition of membership in another organization. For example, assume that a majority of the members of a section 501(c)(4) civic organization also belong to a local chamber of commerce described in section 501(c)(6). The civic organization should answer "No" on line 80 if it does not require its members to belong to the chamber of commerce.

Also disregard affiliation with any statewide or nationwide organization. Thus, the civic organization in the above example would still answer "No" on line 80 even if it belonged to a state or national federation of similar organizations. A local labor union whose members are also members of a national labor organization would answer "No" on line 80.

Line 81. Expenditures For Political Purposes



Political organizations described in section 527 are not required to answer this question.

A political expenditure is one intended to influence the selection, nomination, election, or appointment of anyone to a federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice Presidential electors. It does not matter whether the attempt succeeds.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

All section 501(c) organizations. An exempt organization that is not a political organization must file Form 1120-POL if it is treated as having political organization taxable income under section 527(f)(1).

If a section 501(c) organization establishes and maintains a section 527(f)(3) separate segregated fund, it is the fund's responsibility to file its own Form 1120-POL if the fund meets the Form 1120-POL filing requirements. Do not include the segregated fund's receipts, expenditures, and balance sheet items on the Form 990, or Form 990-EZ, of the section 501(c) organization that establishes and maintains the fund. When answering questions 81a and 81b on its Form 990, this section 501(c) organization should disregard the political expenses and Form 1120-POL filing requirement of the segregated fund.

However, when a section 501(c) organization transfers its own funds, to a separate segregated section 527(f)(3) fund for use as political expenses, the 501(c) organization must report the transferred funds as its own political expenses on its Form 990 or Form 990-EZ.

Section 501(c)(3) organizations. A section 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.

A section 501(c)(3) organization must pay a section 4955 excise tax for any amount paid or incurred on behalf of, or in opposition to, any candidate for public office. The organization must pay an additional excise tax if it fails to correct the expenditure timely.

A manager of a section 501(c)(3) organization who knowingly agrees to a political expenditure must pay a section 4955 excise tax, unless the agreement is not willful and there is reasonable cause. A manager who does not agree to a correction of the political expenditure may have to pay an additional excise tax.

When a section 501(c)(3) organization promotes a candidate for public office (or is used or controlled by a candidate or prospective candidate), amounts paid or incurred for the following purposes are political expenditures:

- Remuneration to such individual (a candidate or prospective candidate) for speeches or other services;
- Travel expenses of such individual;
- Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by such individual;
- Expenses of advertising, publicity, and fundraising for such individual; and
- Any other expense that has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of such individual.

An organization is effectively controlled by a candidate or prospective candidate only if such individual has a continuing, substantial involvement in the day-to-day operations or management of the organization.

A determination of whether the primary purpose of an organization is promoting the candidacy or prospective candidacy of an individual for public office is made on the basis of all the facts and circumstances. See section 4955 and Regulations section 53.4955.

Use Form 4720 to figure and report the excise taxes.

Line 82. Donated Services Or Facilities

Because Form 990, or Form 990-EZ, is open to public inspection, you may want the return to show contributions the organization received in the form of donated services or the use of materials, equipment, or facilities at less than fair rental value. If so, and if the organization's records either show the amount and value of such items or give a clearly objective basis for an estimate, the organization may choose to enter this optional information on line 82b. The IRS does not require any organization to keep such records. However, do not include the value of such items in Part I or II, or in the expense column in Part III. You may indicate the value of donated services or use of materials, equipment, or facilities in Part III in the narrative description of program services rendered. See the instructions for Part III.

Line 83. Public Inspection Requirements

Answer "Yes" only if the organization complied with its public inspection obligations described in *General Instruction M*.

Line 83b. Disclosure Requirements For Quid Pro Quo Contributions

See *General Instruction L*.

Line 84a. Solicitations of Contributions

All organizations that qualify under section 170(c) to receive contributions that are deductible as charitable contributions for federal income tax purposes, enter "N/A." See *General Instruction L*.

Line 85. Section 501(c)(4), (5), or (6) Organizations

Reporting membership dues, lobbying, and political expenses under section 6033(e).

Only certain organizations that are tax-exempt under:

- Section 501(c)(4) (social welfare organizations),
 - Section 501(c)(5) (agricultural and horticultural organizations), or
 - Section 501(c)(6) (business leagues)
- are subject to (a) the section 6033(e) notice and reporting requirements, and (b) a potential proxy tax. These organizations must report their total lobbying expenses, political expenses, and membership dues, or similar amounts, on line 85 of Form 990.

Section 6033(e) notice and reporting requirements and proxy tax. Section 6033(e) requires certain section 501(c)(4), (5), and (6) organizations to tell their members what portion of their membership dues were allocable to the political or lobbying activities of the organization. If an organization does not give its members this information, then the organization is subject to a proxy tax. The tax is reported on Form 990-T.

However, if the organization meets *Exception 1* or *2*, it is excluded from the notice, reporting, and proxy tax requirements of section 6033(e). See also Rev. Proc. 98-19, 1998-1 C.B. 547.

Exception 1. Section 6033(e)(3) exception for organizations whose dues are nondeductible. (Check "Yes" for line 85a.)

1. All organizations exempt from tax under section 501(a), other than section 501(c)(4), (5), and (6) organizations.

2. Local associations of employees' and veterans' organizations described in section 501(c)(4), but not section 501(c)(4) social welfare organizations.

3. Labor unions and other labor organizations described in section 501(c)(5), but not section 501(c)(5) agricultural and horticultural organizations.

4. Section 501(c)(4), (5), and (6) organizations that receive more than 90% of their dues from:

- a. Section 501(c)(3) organizations,
- b. State or local governments,
- c. Entities whose income is exempt from tax under section 115, or
- d. Organizations described in 1 through 3, above.

5. Section 501(c)(4) and (5) organizations that receive more than 90% of their annual dues from:

- a. Persons,
 - b. Families, or
 - c. Entities,
- who each paid annual dues of \$88 or less in 2005 (adjusted annually for inflation). See Rev. Proc. 2004-71, 2004-50 I.R.B. 970.

6. Any organization that receives a private letter ruling from the IRS stating that the organization satisfies the section 6033(e)(3) exception.

7. Any organization that keeps records to substantiate that 90% or more of its members cannot deduct their dues (or similar amounts) as business expenses whether or not any part of their dues are used for lobbying purposes.

8. Any organization that is not a membership organization.



Special rules treat affiliated social welfare organizations, agricultural and horticultural organizations, and business leagues as parts of a single organization for purposes of meeting the nondeductible dues exception. See Rev. Proc. 98-19.

Exception 2. Section 6033(e)(1) \$2,000 in-house lobbying exception. (Check "Yes" for line 85b.)

An organization satisfies the \$2,000 in-house lobbying exception if it:

1. Did not receive a waiver for proxy tax owed for the prior year.
2. Did not make any political expenditures or foreign lobbying expenditures during the 2005 reporting year,
3. Made lobbying expenses during the 2005 reporting year consisting only of in-house direct lobbying expenses totaling \$2,000 or less, but excluding:
 - a. Any allocable overhead expenses, and
 - b. All direct lobbying expenses of any local council regarding legislation of direct interest to the organization or its members.

Dues notices. An organization that checked "No" for both lines 85a and 85b, and is thus responsible for reporting on line 85c through 85h, must send dues notices to its members at the time of assessment or payment of dues, unless the organization chooses to pay the proxy tax instead of informing its members of the nondeductible portion of its dues. These dues notices must reasonably estimate the dues allocable to the nondeductible lobbying and political expenditures reported on line 85d.

| IF . . . | THEN . . . |
|---|--|
| The organization's lobbying and political expenses are more than its membership dues for the year, | The organization must: (a) Allocate all membership dues to its lobbying and political activities, and (b) Carry forward any excess lobbying and political expenses to the next tax year. |
| The organization: (a) Had only <i>de minimis</i> in-house expenses (\$2,000 or less) and no other nondeductible lobbying or political expenses; or (b) Paid a proxy tax, instead of notifying its members on the allocation of dues to lobbying and political expenses*; or (c) Established that substantially all of its membership dues, etc., are not deductible by members. | The organization need not disclose to its membership the allocation of dues, etc., to its lobbying and political activities. |
| *Such as political campaign or grassroots lobbying expenses. | |

Members of the organization cannot take a trade or business expense deduction on their tax returns for the portion of their dues, etc., allocable to the organization's lobbying and political activities.

Proxy tax.

| IF . . . | THEN . . . |
|---|--|
| The organization's actual lobbying and political expenses are more than it estimated in its dues notices, | The organization is liable for a proxy tax on the excess and reports it on Form 990-T. |
| The organization: (a) Elects to pay the proxy tax, and (b) Chooses not to give its members a notice allocating dues to lobbying and political activities, | All the members' dues remain eligible for a section 162 trade or business expense deduction. |
| The organization: (a) Makes a reasonable estimate of dues allocable to nondeductible lobbying and political activities, and (b) Agrees to adjust its estimate in the following year*. | The IRS may permit a waiver of the proxy tax. |

*A facts and circumstances test determines whether or not a reasonable estimate was made in good faith.

Allocation of costs to lobbying activities and influencing legislation. An organization that is subject to the lobbying disclosure rules of section 6033(e) must use a reasonable allocation method to determine its total costs of its direct lobbying activities; that is, costs to influence:

- Legislation, and

- The actions of a covered executive branch official through direct communication (for example, President, Vice President, or cabinet-level officials, and their immediate deputies) (sections 162(e)(1)(A) and (D)).

Reasonable methods of allocating costs to direct lobbying activities include, but are not limited to:

- The ratio method,
- The gross-up and alternative gross-up methods, and
- A method applying the principles of section 263A.

See Regulations sections 1.162-28 and 1.162-29 and the special rules and definitions for these allocation methods given below.

An organization that is subject to the lobbying disclosure rules of section 6033(e) must also determine its total costs of:

- *De minimis* in-house lobbying,
- Grassroots lobbying, and
- Political activities.

There are no special rules related to determining these costs.

All methods. For all the allocation methods, include labor hours and costs of personnel whose activities involve significant judgment with respect to lobbying activities (lobbying personnel).

Special rules and definitions.

Ratio and gross-up methods.

1. May use even if volunteers conduct activities.
2. May disregard labor hours and costs of clerical or support personnel (other than lobbying personnel) under the ratio method.

Alternative gross-up method.

- Disregard labor hours, and
- Costs of clerical or support personnel (other than lobbying personnel).

Third-party costs are those paid to:

- Outside parties for conducting lobbying activities,
- Dues paid to another membership organization that were declared to be nondeductible lobbying expenses, and
- Travel and entertainment costs for lobbying activities.

Direct contact lobbying is a:

- Meeting,
- Telephone conversation,
- Letter, or
- Similar means of communication that is with a:
 1. Legislator (other than a local legislator), or
 2. Covered executive branch official and that otherwise qualifies as a lobbying activity.

Treat all hours spent by a person in connection with direct contact lobbying as labor hours allocable to lobbying activities.

Do not treat the hours spent by a person who engages in research and other background activities related to direct contact lobbying, but who makes no direct contact with a legislator, or covered executive branch official, as direct contact lobbying.

***De minimis* rule.** If less than 5% of a person's time is spent on lobbying activities, and there is no direct contact lobbying, an organization may treat that person's time spent on lobbying activities as zero.

Influencing legislation means:

- Any attempt to influence legislation through a lobbying communication; and
- All activities, such as research and coordination for the purpose of making or

supporting a lobbying communication, even if not yet made.

A lobbying communication is any communication with any member or employee of a legislative body, or any other government official participating in the formulation of the legislation that:

- Refers to specific legislation and reflects a view on that legislation, or
- Provides support for views in a prior lobbying communication.

Purpose for engaging in an activity is based on all the facts and circumstances. If an organization's lobbying communication was for a lobbying and a nonlobbying purpose, the organization must make a reasonable allocation of costs to influencing legislation.

Correction of prior year lobbying costs.

If in a prior year, an organization treated costs incurred for a future lobbying communication as a lobbying cost to influence legislation, but after the organization filed a timely return, it appears the lobbying communication will not be made under any foreseeable circumstance, the organization may apply these costs to reduce its current year's lobbying costs, but not below zero. The organization may carry forward any amount of the costs not used to reduce its current year's lobbying costs to subsequent years.

Example: Ratio method. X Organization incurred:

1. 6,000 labor hours for all activities,
2. 3,000 labor hours for lobbying activities (three employees),
3. \$300,000 for operational costs, and
4. No third-party lobbying costs.

X Organization allocated its lobbying costs as follows:

| | | | | | | |
|---------------------------------------|---|---------------------------|---|-----------------------------|---|--|
| Lobbying labor hrs. 3,000 6,000 | × | \$300,000 | + | 0 | = | \$150,000 |
| Total labor hrs. | | Total costs of operations | | Allocable third-party costs | | Costs allocable to lobbying activities |

Examples: Gross-up method and Alternative gross-up method.

A and B are employees of Y Organization.

1. A's activities involve significant judgment with respect to lobbying activities.
2. A's basic lobbying labor costs (excluding employee benefits) are \$50,000.
3. B performs clerical and support activities for A.
4. B's labor costs (excluding employee benefits) in support of A's activities are \$15,000.
5. Allocable third-party costs are \$100,000.

If Y Organization uses the gross-up method to allocate its lobbying costs, Y multiplies 175% times its basic labor costs (excluding employee benefits) for all of the lobbying of its personnel and adds its allocable third-party lobbying costs as follows:

| | | | | |
|-------------------------------------|---|-----------------------------|---|--|
| 175% × \$65,000 | + | \$100,000 | = | \$213,750 |
| Basic lobbying labor costs of A + B | | Allocable third-party costs | | Costs allocable to lobbying activities |

If Y Organization uses the alternative gross-up method to allocate its lobbying costs, Y multiplies 225% times its basic labor costs (excluding employee benefits) for all of the lobbying hours of its lobbying personnel and adds its third-party lobbying costs as follows:

$$225\% \times \$50,000 + \$100,000 = \$212,500$$

Section 263A cost allocation method. The examples that demonstrate this method are found in Regulations section 1.162-28(f).

Line 85a. Section 6033(e)(3) Exception For Nondeductible Dues

If your organization meets any of the criteria of *Exception 1* in the line 85 instructions, answer "Yes" to question 85a. By doing so, you are declaring that substantially all of the organization's membership dues were nondeductible. Skip lines 85b through 85h.

Line 85b. In-House Lobbying Expenditures

An organization is exempt from the notice, reporting, and proxy tax liability rules of section 6033(e) if it meets *Exception 2*, the \$2,000 in-house lobbying exception. Both exceptions are discussed in the instructions for line 85.

An organization should answer "Yes" to question 85b if it met all of the requirements of *Exception 2*. Skip lines 85c through 85h.

If the organization's in-house direct lobbying expenditures during the 2005 reporting year were \$2,000 or less, but the organization also paid or incurred other lobbying or political expenditures during the 2005 reporting year, or received a waiver for proxy tax owed for the prior year, it should answer "No" to question 85b and complete lines 85c through 85h. However, the \$2,000 or less of in-house direct lobbying expenditures should not be included in the total on line 85d.

Definitions.

Grassroots lobbying refers to attempts to influence any segment of the general public regarding legislative matters or referendums.

Direct lobbying includes attempting to influence:

- Legislation through communication with legislators and other government officials, and
- The official actions or positions of covered executive branch officials through direct communication.

Direct lobbying does not include attempting to influence:

- Any local council on legislation of direct interest to the organization or its members, and
- The general public regarding legislative matters (grassroots lobbying).

Other lobbying includes:

- Grassroots lobbying,
- Foreign lobbying,
- Third-party lobbying, and
- Dues paid to another organization that were used to lobby.

In-house expenditures include:

- Salaries, and
- Other expenses of the organization's officials and staff (including amounts paid or incurred for the planning of legislative activities).

In-house expenditures do not include:

- Any payments to other taxpayers engaged in lobbying or political activities as a trade or business.
- Any dues paid to another organization that are allocable to lobbying or political activities.

Line 85c. Dues, Assessments, And Similar Amounts Received

Enter the total dues, assessments, and similar amounts allocable to the 2005 reporting year.

The term *dues* means the amount the organization requires a member to pay in order to be recognized as a member.

Payments that are similar to dues include:

1. Members' voluntary payments,

2. Assessments to cover basic operating costs, and

3. Special assessments to conduct lobbying and political activities.

Line 85d. Lobbying and Political Expenditures

Include on line 85d the total amount of expenses paid or incurred during the 2005 reporting year in connection with:

1. Influencing legislation;
2. Participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for any public office;
3. Attempting to influence any segment of the general public with respect to elections, legislative matters, or referendums; or
4. Communicating directly with a covered executive branch official in an attempt to influence the official actions or positions of such official.

Also include on line 85d:

1. Excess lobbying and political expenditures carried over from the preceding tax year.
2. An amount equal to the taxable lobbying and political expenditures reported on line 85f for the preceding tax year, if the organization received a waiver of the proxy tax imposed on that amount.

Do not include:

1. Any direct lobbying of any local council or similar governing body with respect to legislation of direct interest to the organization or its members.
2. In-house direct lobbying expenditures, if the total of such expenditures is \$2,000 or less (excluding allocable overhead).
3. Political expenditures for which the section 527 tax has been paid (on Form 1120-POL).

- Reduce the current year's lobbying expenditures, but not below zero, by costs previously allocated in a prior year to lobbying activities that were cancelled after a return reporting those costs was filed.
- Carry forward any amounts not used as a reduction to subsequent years.

Line 85e. Dues Declared Nondeductible In Notices To Members

Enter the total amount of dues, etc., allocable to the 2005 reporting year that members were notified were nondeductible under section 162(e).

Example:

- Membership dues: \$100,000 for the 2005 reporting year,
- Organization's timely notices to members — 25% of membership dues nondeductible, and
- Line 85e entry — \$25,000.

Line 85f. Taxable Lobbying And Political Expenditures

The taxable amount reportable on line 85f is the amount of dues, etc.:

1. Allocable to the 2005 reporting year, and
2. Attributable to lobbying and political expenditures that the organization did not timely notify its members were nondeductible.

If the amount on line 85c (dues, etc.) is greater than the amount on line 85d (lobbying & political expenses), then:

Line 85d (lobbying & political expenses)

Less

Line 85e (dues shown in notices)

Equals

Line 85f (taxable lobbying & political expenses)

If the amount on line 85c (dues, etc.) is less than the amount on line 85d (lobbying & political expenses), then:

Line 85c (dues, etc.)

Less

Line 85e (dues shown in notices)

Equals

Line 85f (taxable lobbying & political expenses), and

Line 85d (lobbying & political expenses)

Less

Line 85c (dues, etc.)

Equals

The excess amount to be carried over to the following tax year and reported on line 85d (lobbying & political expenses), or its equivalent, on the year 2006 Form 990.

See *Examples* given below.

Lines 85g and 85h. Proxy Tax And Waivers

An organization must pay the section 6033(e) proxy tax on the amount reported on line 85f unless it has the option to check "Yes" on line 85h.

If the amount on line 85f is zero, or less than zero, enter on:

| | |
|----------|-----|
| Line 85g | N/A |
| Line 85h | N/A |

If the organization sent dues notices to its members at the time of assessment or payment of dues that reasonably estimated the dues allocable to the nondeductible lobbying and political expenditures reported on line 85d, enter on:

| | |
|----------|-----|
| Line 85g | No |
| Line 85h | Yes |

Include the amount from the 2005 Form 990, line 85f, on the year 2006 Form 990, line 85d, or its equivalent.

If the organization did not send these dues notices, enter on:

| | |
|----------|-----|
| Line 85g | Yes |
| Line 85h | No |

Report the proxy tax on Form 990-T.

Underreporting of lobbying expenses. An organization is subject to the proxy tax for the 2005 reporting year for underreported lobbying and political expenses only to the extent that these expenses (if actually reported) would have resulted in a proxy tax liability for that year. A waiver of proxy tax for the tax year only applies to reported expenditures.

An organization that underreports its lobbying and political expenses is also subject to the section 6652(c) daily penalty for filing an incomplete or inaccurate return.

Examples

Organizations A and B:

1. Reported on the calendar year basis.

2. Incurred only grassroots lobbying expenses (did not qualify for the under \$2,000 in-house lobbying exception (*de minimis* rule)).

3. Allocated dues to the tax year in which received.

For Organization A— Dues, assessments, and similar amounts received in 2005 were greater than its lobbying expenses for 2005.

**Workpapers (for 2005 Form 990)—
Organization A**

| | | |
|---|-------|-------|
| 1. Total dues, assessments, etc., received | \$800 | |
| 2. Lobbying expenses paid or incurred | | \$600 |
| 3. Less: Total nondeductible amount of dues notices | 100 | 100 |
| 4. (Subtract line 3 from both lines 1 and 2) | \$700 | \$500 |
| 5. Taxable amount of lobbying expenses (smaller of the two amounts on line 4) | | \$500 |

TIP The amounts on lines 1, 2, 3, and 5 of the workpapers were entered on lines 85c through 85f of the 2005 Form 990.

Because dues, etc., received were greater than lobbying expenses, there is no carryover of excess lobbying expenses to line 85d of the year 2006 Form 990.

See the instructions for lines 85g and 85h for the treatment of the \$500.

For Organization B— Dues, assessments, and similar amounts received in 2005 were less than its lobbying expenses for 2005.

**Workpapers (for 2005 Form 990)—
Organization B**

| | | |
|---|-------|-------|
| 1. Total dues, assessments, etc., received | \$400 | |
| 2. Lobbying expenses paid or incurred | | \$600 |
| 3. Less: Total nondeductible amount of dues notices | 100 | 100 |
| 4. (Subtract line 3 from both lines 1 and 2) | \$300 | \$500 |
| 5. Taxable amount of lobbying expenses (smaller of the two amounts on line 4) | | \$300 |

TIP The amounts on lines 1, 2, 3, and 5 of the workpapers were entered on lines 85c through 85f of the 2005 Form 990.

Because dues, etc., received were less than lobbying expenses, excess lobbying expenses of \$200 must be carried forward to line 85d of the year 2006 Form 990 (excess of \$600 of lobbying expenses over \$400 dues, etc., received). The \$200 will be included along with the other lobbying and political expenses paid or incurred in the 2006 reporting year and reportable on line 85d (or the equivalent line) of the year 2006 Form 990.

See the instructions for lines 85g and 85h for the treatment of the \$300.

Line 86. Section 501(c)(7) Organizations

Gross receipts test. A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax-exempt. Part of the 35% (up to 15% of gross receipts) may be from public use of a social club's facilities.

Gross receipts are the club's income from its usual activities and include:

- Charges,
- Admissions,
- Membership fees,
- Dues,
- Assessments, and

- Investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments.

Gross receipts do not include:

- Capital contributions (see Regulations section 1.118-1),
- Initiation fees, or
- Unusual amounts of income (such as the sale of the clubhouse).



College fraternities or sororities or other organizations that charge membership initiation fees, but not annual dues, do include initiation fees in their gross receipts.

If the 35% and 15% limits do not affect the club's exempt status, include the income shown on line 86b on the club's Form 990-T.

Investment income earned by a section 501(c)(7) organization is not tax-exempt income unless it is set aside for:

- Religious,
- Charitable,
- Scientific,
- Literary,
- Educational purposes, or
- Prevention of cruelty to children or animals.

If the combined amount of an organization's gross investment income (that is not set aside for charitable purposes) and other unrelated business income exceeds \$1,000, it must report the investment income and other unrelated business income on Form 990-T.

Nondiscrimination policy. A section 501(c)(7) organization is not exempt from income tax if any written policy statement, including the governing instrument and bylaws, allows discrimination on the basis of race, color, or religion.

However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion, if the social club:

1. Is an auxiliary of a fraternal beneficiary society exempt under section 501(c)(8), and
2. Limits its membership to the members of a particular religion; or the membership limitation is:

- a. A good-faith attempt to further the teachings or principles of that religion, and
- b. Not intended to exclude individuals of a particular race or color.

Line 87. Section 501(c)(12) Organizations

One of the requirements that an organization must meet to qualify under section 501(c)(12) is that at least 85% of its gross income consists of amounts collected from members for the sole purpose of meeting losses and expenses. For purposes of section 501(c)(12), the term *gross income* means gross receipts without reduction for any cost of goods sold.

Gross income for mutual or cooperative electric companies is figured by excluding any income received or accrued from:

1. Qualified pole rentals,
2. Any provision or sale of electric energy transmission services or ancillary service if the services are provided on a nondiscriminatory open access basis under an open access transmission tariff; approved or accepted by the Federal Energy Regulatory Commission (FERC) or under an independent transmission provider agreement approved or accepted by FERC (other than income received or accrued directly or indirectly from a member),
3. The provision or sale of electric energy distribution services or ancillary services if the services are provided on a nondiscriminatory, open-access basis to distribute electric energy

not owned by the mutual or electric cooperative company:

- a. To end-users who are served by distribution facilities not owned by the company or any of its members (other than income received or accrued directly or indirectly from a member), or
 - b. Generated by a generation facility not owned or leased by the company or any of its members and which is directly connected to distribution facilities owned by such company or any of its members (other than income received or accrued directly or indirectly from a member),
4. From any nuclear decommissioning transaction, or
 5. From any asset exchange or conversion transaction.

For a mutual or cooperative telephone company, *gross income* also does not include amounts received or accrued either from another telephone company for completing long distance calls to or from or between the telephone company's members, or from the sale of display listings in a directory furnished to the telephone company's members. Also, gross income does not include amounts received or accrued as qualified pole rentals.

Line 88

Answer "Yes" to this question if at any time during the year, the organization owned a 50% or greater interest in a taxable corporation or partnership or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3. If an organization answers "Yes" on line 88, complete *Part IX, Information Regarding Taxable Subsidiaries and Disregarded Entities*.

Line 89a. Section 501(c)(3) Organizations: Disclosure of Excise Taxes Imposed Under Section 4911, 4912, or 4955

Section 501(c)(3) organizations must disclose any excise tax imposed during the year under section 4911 (excess lobbying expenditures), 4912 (disqualifying lobbying expenditures), or, unless abated, 4955 (political expenditures). See sections 4962 and 6033(b).

Line 89b. Section 501(c)(3) and 501(c)(4) Organizations: Disclosure of Section 4958 Excess Benefit Transactions and Excise Taxes

Sections 6033(b) and 6033(f) require section 501(c)(3) and (4) organizations to report the amount of taxes imposed under section 4958 (excess benefit transactions) involving the organization, unless abated, as well as any other information the Secretary may require concerning those transactions. See *General Instruction P* for a discussion of excess benefit transactions.

Attach a statement describing any excess benefit transaction, the disqualified person or persons involved, and whether or not the excess benefit transaction was corrected.

Line 89c. Taxes Imposed on Organization Managers or Disqualified Persons

For line 89c, enter the amount of taxes imposed on organization managers or disqualified persons under sections 4912, 4955, and 4958, unless abated.

Line 89d. Taxes reimbursed by the organization

For line 89d, enter the amount of tax on line 89c that was reimbursed by the organization. Any reimbursement of the excise tax liability of

a disqualified person or organization manager will be treated as an excess benefit unless (1) the organization treats the reimbursement as compensation during the year the reimbursement is made, and (2) the total compensation to that person, including the reimbursement, is reasonable.

Line 90a. List of States

List each state with which the organization is filing a copy of this return in full or partial satisfaction of state filing requirements.

Line 90b. Number of Employees

Enter the number of employees on your payroll during the pay period including March 12, 2005, as shown on your Form 941 or Form 943 (January-March calendar quarter return only). Do not include household employees, persons who received no pay during the pay period, pensioners, or members of the Armed Forces.

Line 91b. Foreign Accounts

Check the "Yes" box if either 1 or 2 below applies:

1. At any time during the calendar year, the organization had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account); and

a. The combined value of the accounts was more than \$10,000 at any time during the calendar year; and

b. The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.

2. The organization owns more than 50% of the stock in any corporation that would answer "Yes" to item 1 above.

If the "Yes" box is checked, enter the name of the foreign country or countries. Attach a separate sheet if more space is needed. File Form TD F 90-22.1 by June 30, 2006, with the Department of the Treasury at the address shown on the form.

You can get Form TD F 90-22.1 by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS website at www.irs.gov. Do not file Form TD F 90-22.1 with the IRS or attach it to Form 990.

Line 92. Section 4947(a)(1) Nonexempt Charitable Trusts

Section 4947(a)(1) nonexempt charitable trusts that file Form 990 instead of Form 1041 must complete this line. The trust should include exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly.

Part VII—Analysis of Income-Producing Activities

Political organizations described in section 527 are not required to complete this Part.

An organization is exempt from income taxes only if its primary purpose is to engage in the type of activity for which it claims a exemption.

An exempt organization is subject to a tax on unrelated business taxable income if such income is from a trade or business that is regularly carried on by the organization and is not substantially related to the organization's performance of its exempt purpose or function. Generally, a tax-exempt organization with gross income of \$1,000 or more for the year from an unrelated trade or business must file Form 990-T and pay any tax due.

In Part VII, show whether revenue, also reportable on lines 2 through 11 of Part I, was received from activities related to the organization's purpose or activities unrelated to its exempt purpose. Enter gross amounts unless indicated otherwise. Show also any revenue excludable from the definition of unrelated business taxable income.

The sum of amounts entered in columns (B), (D), and (E) for lines 93 through 103 of Part VII should match amounts entered for correlating lines 2 through 11 of Part I. Use the following table to verify the relationship of Part VII with Part I.



Contributions that are reportable on lines 1a through 1d of Part I are not reportable in Part VII.

| Amounts in Part VII on Line: | Correspond to Amounts in Part I on Line: |
|--------------------------------------|--|
| 93(a) through (g) | 2 |
| 94 | 3 |
| 95 | 4 |
| 96 | 5 |
| 97 and 98 | 6c |
| 99 | 7 |
| 100 | 8d |
| 101 | 9c |
| 102 | 10c |
| 103(a) through (e) | 11 |
| 105 (plus line 1d, Part I) | 12 |

Completing Part VII

Column (A)

In column (A), identify any unrelated business income reportable in column (B) by selecting a business code from the *Codes for Unrelated Business Activity* in the 2005 Instructions for Form 990-T.



The Codes for Unrelated Business Activity have been revised. Use the codes shown in the 2005 Instructions for Form 990-T.

Column (B)

In column (B), enter any revenue received from activities unrelated to the exempt purpose of the organization. See the Instructions for Form 990-T and Pub. 598 for a discussion of what is unrelated business income. If you enter an amount in column (B), then you must enter a business code in column (A).

Column (C)

In column (C), enter an exclusion code from the *Exclusion Codes* list on the last page of the *Specific Instructions* for Form 990 to identify any revenue excludable from unrelated business income. If more than one exclusion code applies to a particular revenue item, use the lowest numbered exclusion code that applies. If nontaxable revenues from several sources are reportable on the same line in column (D), use the exclusion code that applies to the largest revenue source. If the list of exclusion codes does not include an item of revenue that is excludable from unrelated business income, enter that item in column (E) and see the instructions for column (E).

Column (D)

For column (D), identify any revenue received that is excludable from unrelated business income. If you enter an amount in column (D), you must enter an exclusion code in column (C).

Column (E)

For column (E), report any revenue from activities related to the organization's exempt purpose; (for example, income received from

activities that form the basis of the organization's exemption from taxation). Also report here any revenue that is excludable from gross income other than by Code section 512, 513, or 514, such as interest on state and local bonds that is excluded from tax by section 103. Explain in Part VIII how any amount reported in column (E) relates to the accomplishment of the organization's exempt purposes.

Lines 93(a) through (g). Program Service Revenue

List the organization's revenue-producing program service activities on these lines. Program service activities are primarily those that form the basis of an organization's exemption from tax. Enter in the appropriate columns, gross revenue from each program service activity and the business and exclusion codes that identify this revenue. See the explanation of program service revenue in the instructions for Part I, line 2. For 501(c)(15) reporting of insurance premiums received, refer to instructions for Part I, line 2.

Line 93(f). Medicare and Medicaid Payments

Enter the revenue received from Medicare and Medicaid payments. See the *Examples* of program service revenue in the instructions for Part I, line 2.

Line 93(g). Fees and Contracts From Government Agencies

In the appropriate columns, enter gross revenue earned from fees and contract payments by government agencies for a service, facility, or product that benefited the government agency primarily, either economically or physically. Do not include government grants that enabled your organization to benefit the public directly and primarily. See Part I, line 1c instructions for the distinction between government grants that represent contributions and payments from government agencies for a service, product, or facility that primarily benefited the government agencies.

Report on line 2 of Part I (program service revenue) the sum of the entries in columns (B), (D), and (E) for lines 93(a) through (g).

Lines 94 through 96. Dues, Assessments, Interest, and Dividends

In the appropriate columns, report the revenue received for these line items. General instructions for lines 94 through 96 are given in the instructions for Part I, lines 3 through 5.

Lines 97 and 98. Rental Income (Loss)

Report net rental income from investment property on these lines. Also report here rental income from unaffiliated exempt organizations. Report rental income, however, from an exempt function (program service) on line 93. Refer to the instructions for Part I, line 6. A more detailed discussion of rental income is given in the Instructions for Form 990-T and Pub. 598.

Rents from real property are usually excluded in computing unrelated business taxable income, as are incidental amounts (10% or less) of rental income from personal property leased with real property (mixed lease). In a mixed lease where the rent attributable to personal property is more than 50% of the total rent, neither rent from real or personal property is excluded from unrelated business taxable income. The exclusion also does not apply when the real or personal property rentals depend wholly or partly on the income or profits from leased property, other than an amount based on a fixed percentage or percentage of gross receipts or sales.

The rental exclusion from unrelated business taxable income does not apply to debt-financed real property. In general, debt-financed property is any property that the organization finances by debt and holds to produce income instead of for exempt purposes. An exempt organization's income from debt-financed property is treated as unrelated business taxable income and is subject to tax in the same proportion as the property remains financed by the debt. If substantially all (85% or more) of any property is used for an organization's exempt purposes, the property is not treated as debt-financed property. The rules for debt-financed property do not apply to rents from personal property.

Lines 99 through 102

In the appropriate columns, report the revenue received for these line items. General instructions for lines 99 through 102 are given in the instructions for Part I, lines 7 through 10.

Lines 103(a) through (e). Other Revenue

List any *Other revenue* activity on these lines. These activities are discussed in the instructions for line 11, Part I. In the appropriate columns, enter the revenue received from these activities. Select applicable business and exclusion codes. Report as *Other revenue*, on line 11 of Part I, the total revenue entered in columns (B), (D), and (E) for lines 103(a) through (e).

Line 105. Total

Enter the total revenue reported on line 104 for columns (B), (D), and (E). The amount reported on line 105, plus the amount on line 1d of Part I, should equal the amount entered for *Total revenue* on line 12 of Part I.

Part VIII—Relationship of Activities to the Accomplishment of Exempt Purposes

To explain how an amount entered in Part VII, column (E), was related or exempt function

income, show the line number of the amount in column (E) and give a brief description of how the activity reported in column (E) specifically contributed to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes). Activities that generate exempt-function income are activities that form the basis of the organization's exemption from tax.

Also give the line number and an explanation for any income entered in column (E) that is specifically excluded from gross income other than by Code sections 512, 513, or 514. If no amount is entered in column (E), do not complete Part VIII.

Example. M, an organization described in section 501(c)(3), operates a school for the performing arts. Admission is charged at student performances. M reported admission income in column (E) of Part VII and explained in Part VIII that performances before an audience were an essential part of the students' training and related to the exempt purpose of the organization.

Because M also reported interest from state bonds in column (E) of Part VII, M explained in Part VIII that such interest was excluded from gross income by Code section 103.

If you need additional space, see *Attachments* in *General Instruction W*.

Part IX—Information Regarding Taxable Subsidiaries and Disregarded Entities

Column (A). Enter the name, address, and EIN of each taxable corporation or partnership and each disregarded entity in which the

organization held a 50% or greater interest at any time during the year. If a disregarded entity does not have its own EIN, state that it uses the organization's EIN.

Columns (D) and (E). Enter the corporation's or partnership's total income and end-of-year total assets as reported on each entity's federal tax return for the year ending within the year covered by the parent organization's Form 990. Since the financial information of a disregarded entity is reported on its parent organization's return, enter in column (D) the amount on line 12, *Total revenue*, that is attributable to the disregarded entity. Enter in column (E) the amount on line 59, *Total assets*, column (B), that is attributable to the disregarded entity.

Part X—Information Regarding Transfers Associated With Personal Benefit Contracts

See *General Instruction V* which also discusses the reporting requirements for this Part.

If, in connection with any transfer of funds to a charitable organization, the organization directly or indirectly pays premiums on any personal benefit contract, or there is an understanding or expectation that any person will directly or indirectly pay such premiums, the organization must report the premiums it paid and the premiums paid by others, but treated as paid by the organization, on Form 8870. The organization must report and pay an excise tax, equal to premiums paid, on Form 4720.

Short Form**Return of Organization Exempt From Income Tax**
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung
benefit trust or private foundation)

- For organizations with gross receipts less than \$100,000 and total assets less than \$250,000 at the end of the year.
- *The organization may have to use a copy of this return to satisfy state reporting requirements.*

OMB No. 1545-1150

2005**Open to Public
Inspection****A For the 2005 calendar year, or tax year beginning** , 2005, and ending , 20**B** Check if applicable:

- ☐ Address change
☐ Name change
☐ Initial return
☐ Final return
☐ Amended return
☐ Application pending

Please
use
IRS
label
or
print
or
type.
See
Specific
Instruc-
tions.**C** Name of organization

Number and street (or P.O. box, if mail is not delivered to street address)

Room/suite

City or town, state or country, and ZIP + 4

D Employer identification number**E** Telephone number**F** Group Exemption
Number . . . ►

- **Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).**

G Accounting method: ☐ Cash ☐ Accrual
Other (specify) ►**I** Website: ►**J** Organization type (check only one)— ☐ 501(c) () ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527**H** Check ☐ if the organization
is **not** required to attach
Schedule B (Form 990, 990-EZ, or 990-PF).**K** Check ☐ if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization chooses to file a return, be sure to file a complete return. **Some states require a complete return.****L** Add lines 5b, 6b, and 7b, to line 9 to determine gross receipts; if \$100,000 or more, file Form 990 instead of Form 990-EZ . . . ► \$**Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances** (See page 38 of the instructions.)

| | | | | |
|------------|--|--|-----------|--|
| Revenue | 1 | Contributions, gifts, grants, and similar amounts received | 1 | |
| | 2 | Program service revenue including government fees and contracts | 2 | |
| | 3 | Membership dues and assessments | 3 | |
| | 4 | Investment income | 4 | |
| | 5a | Gross amount from sale of assets other than inventory | 5a | |
| | 5b | Less: cost or other basis and sales expenses | 5b | |
| | 5c | Gain or (loss) from sale of assets other than inventory (line 5a less line 5b) (attach schedule). | 5c | |
| | 6 | Special events and activities (attach schedule). If any amount is from gaming , check here <input type="checkbox"/> | | |
| | 6a | Gross revenue (not including \$ _____ of contributions reported on line 1) | 6a | |
| Expenses | 6b | Less: direct expenses other than fundraising expenses | 6b | |
| | 6c | Net income or (loss) from special events and activities (line 6a less line 6b) | 6c | |
| | 7a | Gross sales of inventory, less returns and allowances | 7a | |
| | 7b | Less: cost of goods sold | 7b | |
| | 7c | Gross profit or (loss) from sales of inventory (line 7a less line 7b) | 7c | |
| | 8 | Other revenue (describe ► _____) | 8 | |
| | 9 | Total revenue (add lines 1, 2, 3, 4, 5c, 6c, 7c, and 8). | 9 | |
| | 10 | Grants and similar amounts paid (attach schedule) | 10 | |
| | 11 | Benefits paid to or for members | 11 | |
| Net Assets | 12 | Salaries, other compensation, and employee benefits | 12 | |
| | 13 | Professional fees and other payments to independent contractors | 13 | |
| | 14 | Occupancy, rent, utilities, and maintenance | 14 | |
| | 15 | Printing, publications, postage, and shipping | 15 | |
| | 16 | Other expenses (describe ► _____) | 16 | |
| | 17 | Total expenses (add lines 10 through 16) | 17 | |
| | 18 | Excess or (deficit) for the year (line 9 less line 17) | 18 | |
| 19 | Net assets or fund balances at beginning of year (from line 27, column (A)) (must agree with end-of-year figure reported on prior year's return) | 19 | | |
| 20 | Other changes in net assets or fund balances (attach explanation) | 20 | | |
| 21 | Net assets or fund balances at end of year (combine lines 18 through 20) | 21 | | |

Part II Balance Sheets—If total assets on line 25, column (B) are \$250,000 or more, file Form 990 instead of Form 990-EZ.

(See page 41 of the instructions.)

| | (A) Beginning of year | (B) End of year |
|--|-----------------------|-----------------|
| 22 Cash, savings, and investments | 22 | |
| 23 Land and buildings | 23 | |
| 24 Other assets (describe ► _____) | 24 | |
| 25 Total assets | 25 | |
| 26 Total liabilities (describe ► _____) | 26 | |
| 27 Net assets or fund balances (line 27 of column (B) must agree with line 21) | 27 | |

Part III Statement of Program Service Accomplishments (See page 42 of the instructions.)**Expenses**

(Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts; optional for others.)

What is the organization's primary exempt purpose? _____

Describe what was achieved in carrying out the organization's exempt purposes. In a clear and concise manner, describe the services provided, the number of persons benefited, or other relevant information for each program title.

| | | |
|--|------------|--|
| 28 | | |
| (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/> | 28a | |
| 29 | | |
| (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/> | 29a | |
| 30 | | |
| (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/> | 30a | |
| 31 Other program services (attach schedule) | | |
| (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/> | 31a | |
| 32 Total program service expenses (add lines 28a through 31a) | 32 | |

Part IV List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated. See page 42 of the instructions.)

| (A) Name and address | (B) Title and average hours per week devoted to position | (C) Compensation (If not paid, enter -0-.) | (D) Contributions to employee benefit plans & deferred compensation | (E) Expense account and other allowances |
|----------------------|--|--|---|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Part V Other Information (Note the attachment requirement in General Instruction V, page 14.)

Yes No

| | | | |
|---|------------|--|--|
| 33 Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity | 33 | | |
| 34 Were any changes made to the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes | 34 | | |
| 35 If the organization had income from business activities, such as those reported on lines 2, 6, and 7 (among others), but not reported on Form 990-T, attach a statement explaining your reason for not reporting the income on Form 990-T. | | | |
| a Did the organization have unrelated business gross income of \$1,000 or more or 6033(e) notice, reporting, and proxy tax requirements? | 35a | | |
| b If "Yes," has it filed a tax return on Form 990-T for this year? | 35b | | |
| 36 Was there a liquidation, dissolution, termination, or substantial contraction during the year? (If "Yes," attach a statement.) | 36 | | |
| 37a Enter amount of political expenditures, direct or indirect, as described in the instructions. ► 37a | | | |
| b Did the organization file Form 1120-POL for this year? | 37b | | |
| 38a Did the organization borrow from, or make any loans to, any officer, director, trustee, or key employee or were any such loans made in a prior year and still unpaid at the start of the period covered by this return? | 38a | | |
| b If "Yes," attach the schedule specified in the line 38 instructions and enter the amount involved | 38b | | |
| 39 501(c)(7) organizations. Enter: | | | |
| a Initiation fees and capital contributions included on line 9 | 39a | | |
| b Gross receipts, included on line 9, for public use of club facilities | 39b | | |
| 40a 501(c)(3) organizations. Enter amount of tax imposed on the organization during the year under: section 4911 ► ; section 4912 ► ; section 4955 ► | | | |
| b 501(c)(3) and (4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach an explanation. | 40b | | |
| c Enter amount of tax imposed on organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 | | | |
| d Enter amount of tax on line 40c reimbursed by the organization | | | |

Part V Other Information (Note the attachment requirement in General Instruction V, page 14.) (Continued)

- 41** List the states with which a copy of this return is filed. ▶ _____
- 42a** The books are in care of ▶ _____ Telephone no. ▶ (____) _____
 Located at ▶ _____ ZIP + 4 ▶ _____
- b** At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? **42b**

| | Yes | No |
|------------|-----|----|
| | | |
| 42c | | |
- If "Yes," enter the name of the foreign country: ▶ _____
 See the instructions for exceptions and filing requirements for Form TD F 90-22.1.
- c** At any time during the calendar year, did the organization maintain an office outside of the U.S.? **42c**

| | Yes | No |
|------------|-----|----|
| | | |
| 42c | | |
- If "Yes," enter the name of the foreign country: ▶ _____
- 43** Section 4947(a)(1) nonexempt charitable trusts filing Form 990-EZ in lieu of **Form 1041**—Check here. ▶ ☐
 and enter the amount of tax-exempt interest received or accrued during the tax year ▶ **43** |

| | | | | |
|---------------------------------|---|---------------|---|---|
| Please Sign Here | Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge. | | | |
| | ▶ _____ Signature of officer | _____ Date | ▶ _____ Type or print name and title. | |
| | ▶ _____ | | | |
| Paid Preparer's Use Only | Preparer's signature ▶ _____ | Date _____ | Check if self-employed ▶ <input type="checkbox"/> | Preparer's SSN or PTIN (See Gen. Inst. W) _____ |
| | Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ _____ | EIN ▶ _____ | | Phone no. ▶ (____) _____ |
| | ▶ _____ | | | |

Short Form**Return of Organization Exempt From Income Tax**
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung
benefit trust or private foundation)

- For organizations with gross receipts less than \$100,000 and total assets less than \$250,000 at the end of the year.
- *The organization may have to use a copy of this return to satisfy state reporting requirements.*

OMB No. 1545-1150

2005**Open to Public
Inspection****A For the 2005 calendar year, or tax year beginning** , 2005, and ending , 20**B** Check if applicable:

- ☐ Address change
☐ Name change
☐ Initial return
☐ Final return
☐ Amended return
☐ Application pending

Please
use
IRS
label
or
print
or
type.
See
Specific
Instruc-
tions.**C** Name of organization

Number and street (or P.O. box, if mail is not delivered to street address)

Room/suite

City or town, state or country, and ZIP + 4

D Employer identification number**E** Telephone number**F** Group Exemption
Number . . . ►

- **Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).**

G Accounting method: ☐ Cash ☐ Accrual
Other (specify) ►**I** Website: ►**J** Organization type (check only one)— ☐ 501(c) () ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527**H** Check ☐ if the organization
is **not** required to attach
Schedule B (Form 990, 990-EZ, or 990-PF).**K** Check ☐ if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization chooses to file a return, be sure to file a complete return. **Some states require a complete return.****L** Add lines 5b, 6b, and 7b, to line 9 to determine gross receipts; if \$100,000 or more, file Form 990 instead of Form 990-EZ . . . ► \$**Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances** (See page 38 of the instructions.)

| | | | | |
|------------|--|--|-----------|--|
| Revenue | 1 | Contributions, gifts, grants, and similar amounts received | 1 | |
| | 2 | Program service revenue including government fees and contracts | 2 | |
| | 3 | Membership dues and assessments | 3 | |
| | 4 | Investment income | 4 | |
| | 5a | Gross amount from sale of assets other than inventory | 5a | |
| | 5b | Less: cost or other basis and sales expenses | 5b | |
| | 5c | Gain or (loss) from sale of assets other than inventory (line 5a less line 5b) (attach schedule). | 5c | |
| | 6 | Special events and activities (attach schedule). If any amount is from gaming , check here <input type="checkbox"/> | | |
| | 6a | Gross revenue (not including \$ _____ of contributions reported on line 1) | 6a | |
| Expenses | 6b | Less: direct expenses other than fundraising expenses | 6b | |
| | 6c | Net income or (loss) from special events and activities (line 6a less line 6b) | 6c | |
| | 7a | Gross sales of inventory, less returns and allowances | 7a | |
| | 7b | Less: cost of goods sold | 7b | |
| | 7c | Gross profit or (loss) from sales of inventory (line 7a less line 7b) | 7c | |
| | 8 | Other revenue (describe ► _____) | 8 | |
| | 9 | Total revenue (add lines 1, 2, 3, 4, 5c, 6c, 7c, and 8). | 9 | |
| | 10 | Grants and similar amounts paid (attach schedule) | 10 | |
| | 11 | Benefits paid to or for members | 11 | |
| Net Assets | 12 | Salaries, other compensation, and employee benefits | 12 | |
| | 13 | Professional fees and other payments to independent contractors | 13 | |
| | 14 | Occupancy, rent, utilities, and maintenance | 14 | |
| | 15 | Printing, publications, postage, and shipping | 15 | |
| | 16 | Other expenses (describe ► _____) | 16 | |
| | 17 | Total expenses (add lines 10 through 16) | 17 | |
| | 18 | Excess or (deficit) for the year (line 9 less line 17) | 18 | |
| | 19 | Net assets or fund balances at beginning of year (from line 27, column (A)) (must agree with end-of-year figure reported on prior year's return) | 19 | |
| | 20 | Other changes in net assets or fund balances (attach explanation) | 20 | |
| 21 | Net assets or fund balances at end of year (combine lines 18 through 20) | 21 | | |

Part II Balance Sheets—If total assets on line 25, column (B) are \$250,000 or more, file Form 990 instead of Form 990-EZ.

(See page 41 of the instructions.)

| | (A) Beginning of year | (B) End of year |
|--|-----------------------|-----------------|
| 22 Cash, savings, and investments | 22 | |
| 23 Land and buildings | 23 | |
| 24 Other assets (describe ► _____) | 24 | |
| 25 Total assets | 25 | |
| 26 Total liabilities (describe ► _____) | 26 | |
| 27 Net assets or fund balances (line 27 of column (B) must agree with line 21) | 27 | |

Part III Statement of Program Service Accomplishments (See page 42 of the instructions.)**Expenses**

(Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts; optional for others.)

What is the organization's primary exempt purpose? _____

Describe what was achieved in carrying out the organization's exempt purposes. In a clear and concise manner, describe the services provided, the number of persons benefited, or other relevant information for each program title.

| | | | |
|-----------|--|------------|--|
| 28 | (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/> | 28a | |
| 29 | (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/> | 29a | |
| 30 | (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/> | 30a | |
| 31 | Other program services (attach schedule) (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/> | 31a | |
| 32 | Total program service expenses (add lines 28a through 31a) <input type="checkbox"/> | 32 | |

Part IV List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated. See page 42 of the instructions.)

| (A) Name and address | (B) Title and average hours per week devoted to position | (C) Compensation (If not paid, enter -0-.) | (D) Contributions to employee benefit plans & deferred compensation | (E) Expense account and other allowances |
|----------------------|--|--|---|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Part V Other Information (Note the attachment requirement in General Instruction V, page 14.)**Yes No**

| | | | | |
|------------|---|------------|--|--|
| 33 | Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity | 33 | | |
| 34 | Were any changes made to the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes | 34 | | |
| 35 | If the organization had income from business activities, such as those reported on lines 2, 6, and 7 (among others), but not reported on Form 990-T, attach a statement explaining your reason for not reporting the income on Form 990-T. | | | |
| a | Did the organization have unrelated business gross income of \$1,000 or more or 6033(e) notice, reporting, and proxy tax requirements? | 35a | | |
| b | If "Yes," has it filed a tax return on Form 990-T for this year? | 35b | | |
| 36 | Was there a liquidation, dissolution, termination, or substantial contraction during the year? (If "Yes," attach a statement.) | 36 | | |
| 37a | Enter amount of political expenditures, direct or indirect, as described in the instructions. <input type="checkbox"/> 37a | | | |
| b | Did the organization file Form 1120-POL for this year? | 37b | | |
| 38a | Did the organization borrow from, or make any loans to, any officer, director, trustee, or key employee or were any such loans made in a prior year and still unpaid at the start of the period covered by this return? | 38a | | |
| b | If "Yes," attach the schedule specified in the line 38 instructions and enter the amount involved | 38b | | |
| 39 | 501(c)(7) organizations. Enter: | | | |
| a | Initiation fees and capital contributions included on line 9 | 39a | | |
| b | Gross receipts, included on line 9, for public use of club facilities | 39b | | |
| 40a | 501(c)(3) organizations. Enter amount of tax imposed on the organization during the year under: section 4911 <input type="checkbox"/> ; section 4912 <input type="checkbox"/> ; section 4955 <input type="checkbox"/> | | | |
| b | 501(c)(3) and (4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach an explanation. | 40b | | |
| c | Enter amount of tax imposed on organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 <input type="checkbox"/> | | | |
| d | Enter amount of tax on line 40c reimbursed by the organization <input type="checkbox"/> | | | |

Part V Other Information (Note the attachment requirement in General Instruction V, page 14.) (Continued)

- 41** List the states with which a copy of this return is filed. ▶ _____
- 42a** The books are in care of ▶ _____ Telephone no. ▶ (____) _____
 Located at ▶ _____ ZIP + 4 ▶ _____
- b** At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?
 If "Yes," enter the name of the foreign country: ▶ _____
 See the instructions for exceptions and filing requirements for Form TD F 90-22.1.
- c** At any time during the calendar year, did the organization maintain an office outside of the U.S.?
 If "Yes," enter the name of the foreign country: ▶ _____
- 43** Section 4947(a)(1) nonexempt charitable trusts filing Form 990-EZ in lieu of **Form 1041**—Check here. ▶ ☐
 and enter the amount of tax-exempt interest received or accrued during the tax year ▶ **43** |

| | Yes | No |
|------------|-----|----|
| 42b | | |
| 42c | | |

**Please
Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

▶ _____
 Signature of officer Date

▶ _____
 Type or print name and title.

**Paid
Preparer's
Use Only**

| | | | |
|---|-------|---|---|
| Preparer's signature ▶ | Date | Check if self-employed ▶ <input type="checkbox"/> | Preparer's SSN or PTIN (See Gen. Inst. W) |
| Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ | EIN ▶ | | Phone no. ▶ () |

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

OMB No. 1545-0047

2005

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

| | | | | | |
|--|--|---|--|--------------------------------------|--|
| A For the 2005 calendar year, or tax year beginning , 2005, and ending , 20 | | | | | |
| B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending | <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:15%; vertical-align: top;"> C Name of organization Number and street (or P.O. box if mail is not delivered to street address) Room/suite City or town, state or country, and ZIP + 4 </td> <td style="width:15%; vertical-align: top;"> D Employer identification number : </td> <td style="width:15%; vertical-align: top;"> E Telephone number () </td> <td style="width:55%; vertical-align: top;"> F Accounting method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ▶ </td> </tr> </table> | C Name of organization Number and street (or P.O. box if mail is not delivered to street address) Room/suite City or town, state or country, and ZIP + 4 | D Employer identification number : | E Telephone number () | F Accounting method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ▶ |
| C Name of organization Number and street (or P.O. box if mail is not delivered to street address) Room/suite City or town, state or country, and ZIP + 4 | D Employer identification number : | E Telephone number () | F Accounting method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (specify) ▶ | | |
| G Website: ▶ | | | | | |
| J Organization type (check only one) ▶ <input type="checkbox"/> 501(c) () ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527 | | | | | |
| K Check here ▶ <input type="checkbox"/> if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization chooses to file a return, be sure to file a complete return. Some states require a complete return. | | | | | |
| L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶ | | | | | |
| H and I are not applicable to section 527 organizations. H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input type="checkbox"/> No H(b) If "Yes," enter number of affiliates ▶ H(c) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No (If "No," attach a list. See instructions.) H(d) Is this a separate return filed by an organization covered by a group ruling? <input type="checkbox"/> Yes <input type="checkbox"/> No I Group Exemption Number ▶ | | | | | |
| M Check ▶ <input type="checkbox"/> if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF). | | | | | |

| Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions.) | | | |
|---|-----|--|-----|
| Revenue | 1 | Contributions, gifts, grants, and similar amounts received: | |
| | a | Direct public support | 1a |
| | b | Indirect public support | 1b |
| | c | Government contributions (grants) | 1c |
| | d | Total (add lines 1a through 1c) (cash \$ _____ noncash \$ _____) . | 1d |
| | 2 | Program service revenue including government fees and contracts (from Part VII, line 93) | 2 |
| | 3 | Membership dues and assessments | 3 |
| | 4 | Interest on savings and temporary cash investments | 4 |
| | 5 | Dividends and interest from securities | 5 |
| | 6a | Gross rents | 6a |
| | b | Less: rental expenses | 6b |
| | c | Net rental income or (loss) (subtract line 6b from line 6a) | 6c |
| Expenses | 7 | Other investment income (describe ▶) | 7 |
| | 8a | Gross amount from sales of assets other than inventory | 8a |
| | b | Less: cost or other basis and sales expenses | 8b |
| | c | Gain or (loss) (attach schedule) | 8c |
| | d | Net gain or (loss) (combine line 8c, columns (A) and (B)) | 8d |
| | 9 | Special events and activities (attach schedule). If any amount is from gaming, check here ▶ <input type="checkbox"/> | |
| | a | Gross revenue (not including \$ _____ of contributions reported on line 1a) | 9a |
| | b | Less: direct expenses other than fundraising expenses | 9b |
| | c | Net income or (loss) from special events (subtract line 9b from line 9a) | 9c |
| | 10a | Gross sales of inventory, less returns and allowances | 10a |
| | b | Less: cost of goods sold | 10b |
| | c | Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a) . | 10c |
| Net Assets | 11 | Other revenue (from Part VII, line 103) | 11 |
| | 12 | Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11) | 12 |
| | 13 | Program services (from line 44, column (B)) | 13 |
| | 14 | Management and general (from line 44, column (C)) | 14 |
| Net Assets | 15 | Fundraising (from line 44, column (D)) | 15 |
| | 16 | Payments to affiliates (attach schedule) | 16 |
| | 17 | Total expenses (add lines 16 and 44, column (A)) | 17 |
| | 18 | Excess or (deficit) for the year (subtract line 17 from line 12) | 18 |
| Net Assets | 19 | Net assets or fund balances at beginning of year (from line 73, column (A)) | 19 |
| | 20 | Other changes in net assets or fund balances (attach explanation) | 20 |
| | 21 | Net assets or fund balances at end of year (combine lines 18, 19, and 20) | 21 |

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See the instructions.)

| <i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.</i> | | (A) Total | (B) Program services | (C) Management and general | (D) Fundraising |
|--|---|------------|----------------------|----------------------------|-----------------|
| 22 | Grants and allocations (attach schedule) (cash \$ _____ noncash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/> | 22 | | | |
| 23 | Specific assistance to individuals (attach schedule) | 23 | | | |
| 24 | Benefits paid to or for members (attach schedule) | 24 | | | |
| 25 | Compensation of officers, directors, etc. | 25 | | | |
| 26 | Other salaries and wages | 26 | | | |
| 27 | Pension plan contributions | 27 | | | |
| 28 | Other employee benefits | 28 | | | |
| 29 | Payroll taxes | 29 | | | |
| 30 | Professional fundraising fees | 30 | | | |
| 31 | Accounting fees | 31 | | | |
| 32 | Legal fees | 32 | | | |
| 33 | Supplies | 33 | | | |
| 34 | Telephone | 34 | | | |
| 35 | Postage and shipping | 35 | | | |
| 36 | Occupancy | 36 | | | |
| 37 | Equipment rental and maintenance | 37 | | | |
| 38 | Printing and publications | 38 | | | |
| 39 | Travel | 39 | | | |
| 40 | Conferences, conventions, and meetings | 40 | | | |
| 41 | Interest | 41 | | | |
| 42 | Depreciation, depletion, etc. (attach schedule) | 42 | | | |
| 43 | Other expenses not covered above (itemize): | | | | |
| a | ..... | 43a | | | |
| b | ..... | 43b | | | |
| c | ..... | 43c | | | |
| d | ..... | 43d | | | |
| e | ..... | 43e | | | |
| f | ..... | 43f | | | |
| g | ..... | 43g | | | |
| 44 | Total functional expenses. Add lines 22 through 43. (Organizations completing columns (B)-(D), carry these totals to lines 13-15) | 44 | | | |

Joint Costs. Check ☐ if you are following SOP 98-2.Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? ☐ Yes ☐ No

If "Yes," enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____;

(iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments (See the instructions.)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

| What is the organization's primary exempt purpose? ► | Program Service Expenses |
|---|---|
| All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.) | (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.) |
| a (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/> | |
| b (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/> | |
| c (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/> | |
| d (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/> | |
| e Other program services (attach schedule) (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/> | |
| f Total of Program Service Expenses (should equal line 44, column (B), Program services). . . . ► | |

Part IV Balance Sheets (See the instructions.)**Note:** Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

| | | (A) Beginning of year | (B) End of year |
|---|---|--------------------------|--------------------|
| Assets | 45 Cash—non-interest-bearing | | 45 |
| | 46 Savings and temporary cash investments | | 46 |
| | 47a Accounts receivable | 47a | |
| | b Less: allowance for doubtful accounts | 47b | 47c |
| | 48a Pledges receivable | 48a | |
| | b Less: allowance for doubtful accounts | 48b | 48c |
| | 49 Grants receivable | | 49 |
| | 50 Receivables from officers, directors, trustees, and key employees (attach schedule) | | 50 |
| | 51a Other notes and loans receivable (attach schedule) | 51a | |
| | b Less: allowance for doubtful accounts | 51b | 51c |
| | 52 Inventories for sale or use | | 52 |
| | 53 Prepaid expenses and deferred charges | | 53 |
| | 54 Investments—securities (attach schedule) <input type="checkbox"/> Cost <input type="checkbox"/> FMV | | 54 |
| | 55a Investments—land, buildings, and equipment: basis | 55a | |
| | b Less: accumulated depreciation (attach schedule) | 55b | 55c |
| | 56 Investments—other (attach schedule) | | 56 |
| | 57a Land, buildings, and equipment: basis | 57a | |
| | b Less: accumulated depreciation (attach schedule) | 57b | 57c |
| | 58 Other assets (describe ►) | | 58 |
| 59 Total assets (must equal line 74). Add lines 45 through 58. | | 59 | |
| Liabilities | 60 Accounts payable and accrued expenses | | 60 |
| | 61 Grants payable | | 61 |
| | 62 Deferred revenue | | 62 |
| | 63 Loans from officers, directors, trustees, and key employees (attach schedule) | | 63 |
| | 64a Tax-exempt bond liabilities (attach schedule) | | 64a |
| | b Mortgages and other notes payable (attach schedule) | | 64b |
| | 65 Other liabilities (describe ►) | | 65 |
| 66 Total liabilities. Add lines 60 through 65 | | 66 | |
| Net Assets or Fund Balances | Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74. | | |
| | 67 Unrestricted | | 67 |
| | 68 Temporarily restricted | | 68 |
| | 69 Permanently restricted | | 69 |
| | Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74. | | |
| | 70 Capital stock, trust principal, or current funds. | | 70 |
| | 71 Paid-in or capital surplus, or land, building, and equipment fund | | 71 |
| | 72 Retained earnings, endowment, accumulated income, or other funds | | 72 |
| | 73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19; column (B) must equal line 21) | | 73 |
| 74 Total liabilities and net assets/fund balances. Add lines 66 and 73. | | 74 | |

Part IV-A Reconciliation of Revenue per Audited Financial Statements With Revenue per Return (See the instructions.)

| Instructions | | | |
|--------------|---|-----------|--|
| a | Total revenue, gains, and other support per audited financial statements | a | |
| b | Amounts included on line a but not on Part I, line 12: | | |
| 1 | Net unrealized gains on investments | b1 | |
| 2 | Donated services and use of facilities | b2 | |
| 3 | Recoveries of prior year grants | b3 | |
| 4 | Other (specify): | b4 | |
| | Add lines b1 through b4 | b | |
| c | Subtract line b from line a | c | |
| d | Amounts included on Part I, line 12, but not on line a : | | |
| 1 | Investment expenses not included on Part I, line 6b | d1 | |
| 2 | Other (specify): | d2 | |
| | Add lines d1 and d2 | d | |
| e | Total revenue (Part I, line 12). Add lines c and d ▶ | e | |

Part IV-B Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

| | | | | |
|----------|--|-----------|----------|--|
| a | Total expenses and losses per audited financial statements | | a | |
| b | Amounts included on line a but not on Part I, line 17: | | | |
| 1 | Donated services and use of facilities | b1 | | |
| 2 | Prior year adjustments reported on Part I, line 20 | b2 | | |
| 3 | Losses reported on Part I, line 20 | b3 | | |
| 4 | Other (specify): | b4 | | |
| | Add lines b1 through b4 | | b | |
| c | Subtract line b from line a | | c | |
| d | Amounts included on Part I, line 17, but not on line a : | | | |
| 1 | Investment expenses not included on Part I, line 6b | d1 | | |
| 2 | Other (specify): | d2 | | |
| | Add lines d1 and d2 | | d | |
| e | Total expenses (Part I, line 17). Add lines c and d ▶ | | e | |

Part V-A **Current Officers, Directors, Trustees, and Key Employees** (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) (See the instructions.)

[illegible]

| | Yes | No |
|--|-----|----|
|--|-----|----|

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Part V-B **Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits** (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)

[illegible]

| | Yes | No |
|--|-----|----|
|--|-----|----|

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| 81b | | |
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Part VI Other Information *(continued)*

| | | Yes | No |
|------------|--|------------|----|
| 82a | Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? | | |
| b | If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) | | |
| 82b | | | |
| 83a | Did the organization comply with the public inspection requirements for returns and exemption applications? | | |
| b | Did the organization comply with the disclosure requirements relating to quid pro quo contributions? | | |
| 83b | | | |
| 84a | Did the organization solicit any contributions or gifts that were not tax deductible? | | |
| b | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | | |
| 84b | | | |
| 85 | 501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members? | | |
| b | Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year. | | |
| c | Dues, assessments, and similar amounts from members | 85c | |
| d | Section 162(e) lobbying and political expenditures | 85d | |
| e | Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices | 85e | |
| f | Taxable amount of lobbying and political expenditures (line 85d less 85e) | 85f | |
| g | Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? | 85g | |
| h | If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? | 85h | |
| 86 | 501(c)(7) orgs. Enter: a Initiation fees and capital contributions included on line 12 | 86a | |
| b | Gross receipts, included on line 12, for public use of club facilities | 86b | |
| 87 | 501(c)(12) orgs. Enter: a Gross income from members or shareholders | 87a | |
| b | Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) | 87b | |
| 88 | At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX | 88 | |
| 89a | 501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ ; section 4912 ▶ ; section 4955 ▶ | | |
| b | 501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction | 89b | |
| c | Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 ▶ | | |
| d | Enter: Amount of tax on line 89c, above, reimbursed by the organization ▶ | | |
| 90a | List the states with which a copy of this return is filed ▶ | | |
| b | Number of employees employed in the pay period that includes March 12, 2005 (See instructions.) | 90b | |
| 91a | The books are in care of ▶ Telephone no. ▶ () | | |
| | Located at ▶ ZIP + 4 ▶ | | |
| b | At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," enter the name of the foreign country ▶ See the instructions for exceptions and filing requirements for Form TD F 90-22.1 , Report of Foreign Bank and Financial Accounts. | 91b | |
| c | At any time during the calendar year, did the organization maintain an office outside of the United States? If "Yes," enter the name of the foreign country ▶ | 91c | |
| 92 | Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 —Check here and enter the amount of tax-exempt interest received or accrued during the tax year ▶ 92 | | |

Part VII Analysis of Income-Producing Activities (See the instructions.)**Note:** Enter gross amounts unless otherwise indicated.

| | | Unrelated business income | | Excluded by section 512, 513, or 514 | | (E) Related or exempt function income |
|------------|--|---------------------------|---------------|--------------------------------------|---------------|--|
| | | (A) Business code | (B) Amount | (C) Exclusion code | (D) Amount | |
| 93 | Program service revenue: | | | | | |
| a | | | | | | |
| b | | | | | | |
| c | | | | | | |
| d | | | | | | |
| e | | | | | | |
| f | Medicare/Medicaid payments | | | | | |
| g | Fees and contracts from government agencies | | | | | |
| 94 | Membership dues and assessments | | | | | |
| 95 | Interest on savings and temporary cash investments | | | | | |
| 96 | Dividends and interest from securities | | | | | |
| 97 | Net rental income or (loss) from real estate: | | | | | |
| a | debt-financed property | | | | | |
| b | not debt-financed property | | | | | |
| 98 | Net rental income or (loss) from personal property | | | | | |
| 99 | Other investment income | | | | | |
| 100 | Gain or (loss) from sales of assets other than inventory | | | | | |
| 101 | Net income or (loss) from special events | | | | | |
| 102 | Gross profit or (loss) from sales of inventory | | | | | |
| 103 | Other revenue: a _____ | | | | | |
| | b _____ | | | | | |
| | c _____ | | | | | |
| | d _____ | | | | | |
| | e _____ | | | | | |
| 104 | Subtotal (add columns (B), (D), and (E)) | | | | | |
| 105 | Total (add line 104, columns (B), (D), and (E)) | | | | | |

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.**Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes** (See the instructions.)

| Line No. ▼ | Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes). |
|---------------|---|
| | |
| | |
| | |
| | |

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

| (A) Name, address, and EIN of corporation, partnership, or disregarded entity | (B) Percentage of ownership interest | (C) Nature of activities | (D) Total income | (E) End-of-year assets |
|---|--|-----------------------------|---------------------|------------------------------|
| | % | | | |
| | % | | | |
| | % | | | |
| | % | | | |

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)**(a)** Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ **Yes** ☐ **No****(b)** Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? ☐ **Yes** ☐ **No****Note:** If "Yes" to **(b)**, file Form 8870 and Form 4720 (see instructions).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Please
Sign
Here**

| | |
|----------------------|------|
| | |
| Signature of officer | Date |

| | |
|-------------------------------|--|
| | |
| Type or print name and title. | |

| | | | | |
|---|---|-----------|---|---|
| Paid Preparer's Use Only | Preparer's signature | Date | Check if self-employed <input type="checkbox"/> | Preparer's SSN or PTIN (See Gen. Inst. W) |
| | Firm's name (or yours if self-employed), address, and ZIP + 4 | EIN | | |
| | | Phone no. | | |

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| G Website: ▶ | | | | | |
| J Organization type (check only one) ▶ <input type="checkbox"/> 501(c) () ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527 | | | | | |
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| L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶ | | | | | |
| H and I are not applicable to section 527 organizations. H(a) Is this a group return for affiliates? <input type="checkbox"/> Yes <input type="checkbox"/> No H(b) If "Yes," enter number of affiliates ▶ H(c) Are all affiliates included? <input type="checkbox"/> Yes <input type="checkbox"/> No (If "No," attach a list. See instructions.) H(d) Is this a separate return filed by an organization covered by a group ruling? <input type="checkbox"/> Yes <input type="checkbox"/> No I Group Exemption Number ▶ | | | | | |
| M Check ▶ <input type="checkbox"/> if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF). | | | | | |

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions.)

| | | | | | |
|-------------------|-----|--|--|--|-----|
| Revenue | 1 | Contributions, gifts, grants, and similar amounts received: | | | |
| | a | Direct public support | | | 1a |
| | b | Indirect public support | | | 1b |
| | c | Government contributions (grants) | | | 1c |
| | d | Total (add lines 1a through 1c) (cash \$ _____ noncash \$ _____) . | | | 1d |
| | 2 | Program service revenue including government fees and contracts (from Part VII, line 93) | | | 2 |
| | 3 | Membership dues and assessments | | | 3 |
| | 4 | Interest on savings and temporary cash investments | | | 4 |
| | 5 | Dividends and interest from securities | | | 5 |
| | 6a | Gross rents | | | 6a |
| | b | Less: rental expenses | | | 6b |
| | c | Net rental income or (loss) (subtract line 6b from line 6a) | | | 6c |
| Expenses | 7 | Other investment income (describe ▶) | | | 7 |
| | 8a | Gross amount from sales of assets other than inventory | | | 8a |
| | b | Less: cost or other basis and sales expenses | | | 8b |
| | c | Gain or (loss) (attach schedule) | | | 8c |
| | d | Net gain or (loss) (combine line 8c, columns (A) and (B)) | | | 8d |
| | 9 | Special events and activities (attach schedule). If any amount is from gaming, check here ▶ <input type="checkbox"/> | | | |
| | a | Gross revenue (not including \$ _____ of contributions reported on line 1a) | | | 9a |
| | b | Less: direct expenses other than fundraising expenses | | | 9b |
| | c | Net income or (loss) from special events (subtract line 9b from line 9a) | | | 9c |
| | 10a | Gross sales of inventory, less returns and allowances | | | 10a |
| | b | Less: cost of goods sold | | | 10b |
| | c | Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a) . | | | 10c |
| Net Assets | 11 | Other revenue (from Part VII, line 103) | | | 11 |
| | 12 | Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11) | | | 12 |
| | 13 | Program services (from line 44, column (B)) | | | 13 |
| | 14 | Management and general (from line 44, column (C)) | | | 14 |
| | 15 | Fundraising (from line 44, column (D)) | | | 15 |
| Net Assets | 16 | Payments to affiliates (attach schedule) | | | 16 |
| | 17 | Total expenses (add lines 16 and 44, column (A)) | | | 17 |
| | 18 | Excess or (deficit) for the year (subtract line 17 from line 12) | | | 18 |
| | 19 | Net assets or fund balances at beginning of year (from line 73, column (A)) | | | 19 |
| | 20 | Other changes in net assets or fund balances (attach explanation) | | | 20 |
| | 21 | Net assets or fund balances at end of year (combine lines 18, 19, and 20) | | | 21 |

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See the instructions.)

| <i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.</i> | | (A) Total | (B) Program services | (C) Management and general | (D) Fundraising |
|--|---|------------|----------------------|----------------------------|-----------------|
| 22 | Grants and allocations (attach schedule) (cash \$ _____ noncash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/> | 22 | | | |
| 23 | Specific assistance to individuals (attach schedule) | 23 | | | |
| 24 | Benefits paid to or for members (attach schedule) | 24 | | | |
| 25 | Compensation of officers, directors, etc. | 25 | | | |
| 26 | Other salaries and wages | 26 | | | |
| 27 | Pension plan contributions | 27 | | | |
| 28 | Other employee benefits | 28 | | | |
| 29 | Payroll taxes | 29 | | | |
| 30 | Professional fundraising fees | 30 | | | |
| 31 | Accounting fees | 31 | | | |
| 32 | Legal fees | 32 | | | |
| 33 | Supplies | 33 | | | |
| 34 | Telephone | 34 | | | |
| 35 | Postage and shipping | 35 | | | |
| 36 | Occupancy | 36 | | | |
| 37 | Equipment rental and maintenance | 37 | | | |
| 38 | Printing and publications | 38 | | | |
| 39 | Travel | 39 | | | |
| 40 | Conferences, conventions, and meetings | 40 | | | |
| 41 | Interest | 41 | | | |
| 42 | Depreciation, depletion, etc. (attach schedule) | 42 | | | |
| 43 | Other expenses not covered above (itemize): | | | | |
| a | ..... | 43a | | | |
| b | ..... | 43b | | | |
| c | ..... | 43c | | | |
| d | ..... | 43d | | | |
| e | ..... | 43e | | | |
| f | ..... | 43f | | | |
| g | ..... | 43g | | | |
| 44 | Total functional expenses. Add lines 22 through 43. (Organizations completing columns (B)-(D), carry these totals to lines 13-15) | 44 | | | |

Joint Costs. Check ☐ if you are following SOP 98-2.Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? ☐ Yes ☐ No

If "Yes," enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____;

(iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments (See the instructions.)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

| What is the organization's primary exempt purpose? ► | Program Service Expenses |
|---|---|
| All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.) | (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.) |
| a (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/> | |
| b (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/> | |
| c (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/> | |
| d (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/> | |
| e Other program services (attach schedule) (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/> | |
| f Total of Program Service Expenses (should equal line 44, column (B), Program services). . . . ► | |

Part IV Balance Sheets (See the instructions.)**Note:** Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

| | | (A) Beginning of year | (B) End of year |
|--|--|--------------------------|--------------------|
| Assets | 45 Cash—non-interest-bearing | | 45 |
| | 46 Savings and temporary cash investments | | 46 |
| | 47a Accounts receivable | 47a | |
| | b Less: allowance for doubtful accounts | 47b | 47c |
| | 48a Pledges receivable | 48a | |
| | b Less: allowance for doubtful accounts | 48b | 48c |
| | 49 Grants receivable | | 49 |
| | 50 Receivables from officers, directors, trustees, and key employees (attach schedule) | | 50 |
| | 51a Other notes and loans receivable (attach schedule) | 51a | |
| | b Less: allowance for doubtful accounts | 51b | 51c |
| | 52 Inventories for sale or use | | 52 |
| | 53 Prepaid expenses and deferred charges | | 53 |
| | 54 Investments—securities (attach schedule) <input type="checkbox"/> Cost <input type="checkbox"/> FMV | | 54 |
| | 55a Investments—land, buildings, and equipment: basis | 55a | |
| | b Less: accumulated depreciation (attach schedule) | 55b | 55c |
| | 56 Investments—other (attach schedule) | | 56 |
| | 57a Land, buildings, and equipment: basis | 57a | |
| | b Less: accumulated depreciation (attach schedule) | 57b | 57c |
| | 58 Other assets (describe ►) | | 58 |
| 59 Total assets (must equal line 74). Add lines 45 through 58. | | 59 | |
| Liabilities | 60 Accounts payable and accrued expenses | | 60 |
| | 61 Grants payable | | 61 |
| | 62 Deferred revenue | | 62 |
| | 63 Loans from officers, directors, trustees, and key employees (attach schedule) | | 63 |
| | 64a Tax-exempt bond liabilities (attach schedule) | | 64a |
| | b Mortgages and other notes payable (attach schedule) | | 64b |
| | 65 Other liabilities (describe ►) | | 65 |
| 66 Total liabilities. Add lines 60 through 65 | | 66 | |
| Net Assets or Fund Balances | Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74. | | |
| | 67 Unrestricted | | 67 |
| | 68 Temporarily restricted | | 68 |
| | 69 Permanently restricted | | 69 |
| | Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74. | | |
| | 70 Capital stock, trust principal, or current funds. | | 70 |
| | 71 Paid-in or capital surplus, or land, building, and equipment fund | | 71 |
| | 72 Retained earnings, endowment, accumulated income, or other funds | | 72 |
| | 73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19; column (B) must equal line 21) | | 73 |
| 74 Total liabilities and net assets/fund balances. Add lines 66 and 73. | | 74 | |

Part IV-A Reconciliation of Revenue per Audited Financial Statements With Revenue per Return *(See the instructions.)*

| Instructions | | | |
|--------------|---|-----------|--|
| a | Total revenue, gains, and other support per audited financial statements | a | |
| b | Amounts included on line a but not on Part I, line 12: | | |
| 1 | Net unrealized gains on investments | b1 | |
| 2 | Donated services and use of facilities | b2 | |
| 3 | Recoveries of prior year grants | b3 | |
| 4 | Other (specify): | b4 | |
| | Add lines b1 through b4 | b | |
| c | Subtract line b from line a | c | |
| d | Amounts included on Part I, line 12, but not on line a : | | |
| 1 | Investment expenses not included on Part I, line 6b | d1 | |
| 2 | Other (specify): | d2 | |
| | Add lines d1 and d2 | d | |
| e | Total revenue (Part I, line 12). Add lines c and d ▶ | e | |

Part IV-B Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

| | | | | |
|----------|--|-----------|----------|--|
| a | Total expenses and losses per audited financial statements | | a | |
| b | Amounts included on line a but not on Part I, line 17: | | | |
| 1 | Donated services and use of facilities | b1 | | |
| 2 | Prior year adjustments reported on Part I, line 20 | b2 | | |
| 3 | Losses reported on Part I, line 20 | b3 | | |
| 4 | Other (specify): | b4 | | |
| | Add lines b1 through b4 | | b | |
| c | Subtract line b from line a | | c | |
| d | Amounts included on Part I, line 17, but not on line a : | | | |
| 1 | Investment expenses not included on Part I, line 6b | d1 | | |
| 2 | Other (specify): | d2 | | |
| | Add lines d1 and d2 | | d | |
| e | Total expenses (Part I, line 17). Add lines c and d ▶ | | e | |

Part V-A **Current Officers, Directors, Trustees, and Key Employees** (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) (See the instructions.)

[illegible]

Part V-A Current Officers, Directors, Trustees, and Key Employees *(continued)*

| | Yes | No |
|--|------------|----|
| 75a Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings ▶ | | |
| b Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If "Yes," attach a statement that identifies the individuals and explains the relationship(s) . . . | 75b | |
| c Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to this organization through common supervision or common control? Note. Related organizations include section 509(a)(3) supporting organizations. | 75c | |
| If "Yes," attach a statement that identifies the individuals, explains the relationship between this organization and the other organization(s), and describes the compensation arrangements, including amounts paid to each individual by each related organization. | | |
| d Does the organization have a written conflict of interest policy? | 75d | |

Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)

| (A) Name and address | (B) Loans and Advances | (C) Compensation | (D) Contributions to employee benefit plans & deferred compensation plans | (E) Expense account and other allowances |
|----------------------|------------------------|------------------|---|--|
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Part VI Other Information *(See the instructions.)*

| | Yes | No |
|--|------------|----|
| 76 Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity | 76 | |
| 77 Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes. | 77 | |
| 78a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return? | 78a | |
| b If "Yes," has it filed a tax return on Form 990-T for this year? | 78b | |
| 79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement | 79 | |
| 80a Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? | 80a | |
| b If "Yes," enter the name of the organization ▶ and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt | | |
| 81a Enter direct and indirect political expenditures. (See line 81 instructions.) 81a | | |
| b Did the organization file Form 1120-POL for this year? | 81b | |

Part VI Other Information (continued)

| | | Yes | No |
|------------|--|------------|----|
| 82a | Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? | | |
| b | If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) | | |
| 82b | | | |
| 83a | Did the organization comply with the public inspection requirements for returns and exemption applications? | | |
| b | Did the organization comply with the disclosure requirements relating to quid pro quo contributions? | | |
| 83b | | | |
| 84a | Did the organization solicit any contributions or gifts that were not tax deductible? | | |
| b | If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? | | |
| 84b | | | |
| 85 | 501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members? | | |
| b | Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year. | | |
| c | Dues, assessments, and similar amounts from members | 85c | |
| d | Section 162(e) lobbying and political expenditures | 85d | |
| e | Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices | 85e | |
| f | Taxable amount of lobbying and political expenditures (line 85d less 85e) | 85f | |
| g | Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? | 85g | |
| h | If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? | 85h | |
| 86 | 501(c)(7) orgs. Enter: a Initiation fees and capital contributions included on line 12 | 86a | |
| b | Gross receipts, included on line 12, for public use of club facilities | 86b | |
| 87 | 501(c)(12) orgs. Enter: a Gross income from members or shareholders | 87a | |
| b | Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) | 87b | |
| 88 | At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX | 88 | |
| 89a | 501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ ; section 4912 ▶ ; section 4955 ▶ | | |
| b | 501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction | 89b | |
| c | Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 ▶ | | |
| d | Enter: Amount of tax on line 89c, above, reimbursed by the organization ▶ | | |
| 90a | List the states with which a copy of this return is filed ▶ | | |
| b | Number of employees employed in the pay period that includes March 12, 2005 (See instructions.) | 90b | |
| 91a | The books are in care of ▶ Telephone no. ▶ () | | |
| | Located at ▶ ZIP + 4 ▶ | | |
| b | At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? If "Yes," enter the name of the foreign country ▶ See the instructions for exceptions and filing requirements for Form TD F 90-22.1 , Report of Foreign Bank and Financial Accounts. | 91b | |
| c | At any time during the calendar year, did the organization maintain an office outside of the United States? If "Yes," enter the name of the foreign country ▶ | 91c | |
| 92 | Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 —Check here and enter the amount of tax-exempt interest received or accrued during the tax year ▶ 92 | | |

Part VII Analysis of Income-Producing Activities (See the instructions.)**Note:** Enter gross amounts unless otherwise indicated.

| | | Unrelated business income | | Excluded by section 512, 513, or 514 | | (E) Related or exempt function income |
|------------|--|---------------------------|---------------|--------------------------------------|---------------|--|
| | | (A) Business code | (B) Amount | (C) Exclusion code | (D) Amount | |
| 93 | Program service revenue: | | | | | |
| a | | | | | | |
| b | | | | | | |
| c | | | | | | |
| d | | | | | | |
| e | | | | | | |
| f | Medicare/Medicaid payments | | | | | |
| g | Fees and contracts from government agencies | | | | | |
| 94 | Membership dues and assessments | | | | | |
| 95 | Interest on savings and temporary cash investments | | | | | |
| 96 | Dividends and interest from securities | | | | | |
| 97 | Net rental income or (loss) from real estate: | | | | | |
| a | debt-financed property | | | | | |
| b | not debt-financed property | | | | | |
| 98 | Net rental income or (loss) from personal property | | | | | |
| 99 | Other investment income | | | | | |
| 100 | Gain or (loss) from sales of assets other than inventory | | | | | |
| 101 | Net income or (loss) from special events | | | | | |
| 102 | Gross profit or (loss) from sales of inventory | | | | | |
| 103 | Other revenue: a _____ | | | | | |
| | b _____ | | | | | |
| | c _____ | | | | | |
| | d _____ | | | | | |
| | e _____ | | | | | |
| 104 | Subtotal (add columns (B), (D), and (E)) | | | | | |
| 105 | Total (add line 104, columns (B), (D), and (E)) | | | | | |

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.**Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes** (See the instructions.)

| Line No. ▼ | Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes). |
|---------------|---|
| | |
| | |
| | |
| | |

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

| (A) Name, address, and EIN of corporation, partnership, or disregarded entity | (B) Percentage of ownership interest | (C) Nature of activities | (D) Total income | (E) End-of-year assets |
|---|--|-----------------------------|---------------------|------------------------------|
| | % | | | |
| | % | | | |
| | % | | | |
| | % | | | |

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)**(a)** Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ **Yes** ☐ **No****(b)** Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? ☐ **Yes** ☐ **No****Note:** If "Yes" to **(b)**, file Form 8870 and Form 4720 (see instructions).

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Please
Sign
Here**

| | |
|----------------------|------|
| | |
| Signature of officer | Date |

| | |
|-------------------------------|--|
| | |
| Type or print name and title. | |

| | | | | |
|---|---|------|---|---|
| Paid Preparer's Use Only | Preparer's signature | Date | Check if self-employed <input type="checkbox"/> | Preparer's SSN or PTIN (See Gen. Inst. W) |
| | Firm's name (or yours if self-employed), address, and ZIP + 4 | EIN | | |
| | Phone no. | | | |

Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))

OMB No. 1545-0687

2005Department of the Treasury
Internal Revenue ServiceFor calendar year 2005 or other tax year beginning , 2005, and ending , 20
▶ See separate instructions.**A** ☐ Check box if address changed**B** Exempt under section

- ☐ 501() ()
☐ 408(e) ☐ 220(e)
☐ 408A ☐ 530(a)
☐ 529(a)

Print or TypeName of organization (☐ Check box if name changed and see instructions.)

Number, street, and room or suite no. (If a P.O. box, see page 7 of instructions.)

City or town, state, and ZIP code

D Employer identification number
(Employees' trust, see instructions for Block D on page 7.)
:**E New unrelated bus. activity codes**
(See instructions for Block E on page 7.)
:**C** Book value of all assets at end of year**F** Group exemption number (See instructions for Block F on page 7.) ▶**G** Check organization type ▶ ☐ 501(c) corporation ☐ 501(c) trust ☐ 401(a) trust ☐ Other trust**H** Describe the organization's primary unrelated business activity. ▶**I** During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? . ▶ ☐ Yes ☐ No
If "Yes," enter the name and identifying number of the parent corporation. ▶**J** The books are in care of ▶ Telephone number ▶ ()**Part I Unrelated Trade or Business Income**

| | (A) Income | (B) Expenses | (C) Net |
|---|------------|--------------|---------|
| 1a Gross receipts or sales | | | |
| b Less returns and allowances | | | |
| c Balance ▶ | 1c | | |
| 2 Cost of goods sold (Schedule A, line 7) | 2 | | |
| 3 Gross profit. Subtract line 2 from line 1c | 3 | | |
| 4a Capital gain net income (attach Schedule D) | 4a | | |
| b Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797) | 4b | | |
| c Capital loss deduction for trusts | 4c | | |
| 5 Income (loss) from partnerships and S corporations (attach statement) | 5 | | |
| 6 Rent income (Schedule C) | 6 | | |
| 7 Unrelated debt-financed income (Schedule E) | 7 | | |
| 8 Interest, annuities, royalties, and rents from controlled organizations (Schedule F) | 8 | | |
| 9 Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G) | 9 | | |
| 10 Exploited exempt activity income (Schedule I) | 10 | | |
| 11 Advertising income (Schedule J) | 11 | | |
| 12 Other income (See page 9 of the instructions—attach schedule.) | 12 | | |
| 13 Total. Combine lines 3 through 12 | 13 | | |

Part II Deductions Not Taken Elsewhere (See page 9 of the instructions for limitations on deductions.)
(Except for contributions, deductions must be directly connected with the unrelated business income.)

| | | | |
|---|------------|--|------------|
| 14 Compensation of officers, directors, and trustees (Schedule K) | 14 | | |
| 15 Salaries and wages | 15 | | |
| 16 Repairs and maintenance | 16 | | |
| 17 Bad debts | 17 | | |
| 18 Interest (attach schedule) | 18 | | |
| 19 Taxes and licenses | 19 | | |
| 20 Charitable contributions (See page 11 of the instructions for limitation rules.) | 20 | | |
| 21 Depreciation (attach Form 4562) | 21 | | |
| 22 Less depreciation claimed on Schedule A and elsewhere on return | 22a | | 22b |
| 23 Depletion | 23 | | |
| 24 Contributions to deferred compensation plans | 24 | | |
| 25 Employee benefit programs | 25 | | |
| 26 Excess exempt expenses (Schedule I) | 26 | | |
| 27 Excess readership costs (Schedule J) | 27 | | |
| 28 Other deductions (attach schedule) | 28 | | |
| 29 Total deductions. Add lines 14 through 28 | 29 | | |
| 30 Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13 | 30 | | |
| 31 Net operating loss deduction (limited to the amount on line 30) | 31 | | |
| 32 Unrelated business taxable income before specific deduction. Subtract line 31 from line 30 | 32 | | |
| 33 Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions.) | 33 | | |
| 34 Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32. | 34 | | |

Part III Tax Computation**35 Organizations Taxable as Corporations.** See instructions for tax computation on page 13. Controlled group members (sections 1561 and 1563)—check here ☐. **See instructions** and:**a** Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):**(1)** \$ **(2)** \$ **(3)** \$**b** Enter organization's share of: **(1)** Additional 5% tax (not more than \$11,750) \$**(2)** Additional 3% tax (not more than \$100,000) \$**c** Income tax on the amount on line 34 ▶ **35c****36 Trusts Taxable at Trust Rates.** See instructions for tax computation on page 14. Income tax on the amount on line 34 from: ☐ Tax rate schedule or ☐ Schedule D (Form 1041). ▶ **36****37 Proxy tax.** See page 14 of the instructions ▶ **37****38 Alternative minimum tax** ▶ **38****39 Total.** Add lines 37 and 38 to line 35c or 36, whichever applies ▶ **39****Part IV Tax and Payments****40a Foreign tax credit** (corporations attach Form 1118; trusts attach Form 1116) ▶ **40a****b Other credits** (See page 14 of the instructions.) ▶ **40b****c General business credit**—Check here and indicate which forms are attached:☐ Form 3800 ☐ Form(s) (specify) ▶ **40c****d Credit for prior year minimum tax** (attach Form 8801 or 8827) ▶ **40d****e Total credits.** Add lines 40a through 40d. ▶ **40e****41 Subtract line 40e from line 39** ▶ **41****42 Other taxes.** Check if from: ☐ Form 4255 ☐ Form 8611 ☐ Form 8697 ☐ Form 8866 ☐ Other (attach schedule) ▶ **42****43 Total tax.** Add lines 41 and 42 ▶ **43****44a Payments:** A 2004 overpayment credited to 2005. ▶ **44a****b 2005 estimated tax payments.** ▶ **44b****c Tax deposited with Form 8868** ▶ **44c****d Foreign organizations—Tax paid or withheld at source** (see instructions) ▶ **44d****e Backup withholding** (see instructions) ▶ **44e****f Other credits and payments:** ☐ Form 2439 ☐ Form 4136 ☐ Other ▶ **44f**

Total ▶

45 Total payments. Add lines 44a through 44f. ▶ **45****46 Estimated tax penalty** (See page 4 of the instructions.) Check ☐ if Form 2220 is attached ▶ **46****47 Tax due.** If line 45 is less than the total of lines 43 and 46, enter amount owed ▶ **47****48 Overpayment.** If line 45 is larger than the total of lines 43 and 46, enter amount overpaid ▶ **48****49 Enter the amount of line 48 you want:** Credited to 2006 estimated tax ▶ Refunded ▶ **49****Part V Statements Regarding Certain Activities and Other Information** (See instructions on page 16.)**1** At any time during the 2005 calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?

If "Yes," the organization may have to file Form TD F 90-22.1. If "Yes," enter the name of the foreign country here ▶

2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," see page 5 of the instructions for other forms the organization may have to file.**3** Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$**Schedule A—Cost of Goods Sold.** Enter method of inventory valuation ▶**1** Inventory at beginning of year. ▶ **1****2** Purchases ▶ **2****3** Cost of labor ▶ **3****4a** Additional section 263A costs (attach schedule). ▶ **4a****b** Other costs (attach schedule). ▶ **4b****5 Total.** Add lines 1 through 4b. ▶ **5****6** Inventory at end of year ▶ **6****7 Cost of goods sold.** Subtract line 6 from line 5. Enter here and in Part I, line 2 ▶ **7****8** Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization? ▶ **Yes** **No****Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer Date Title

May the IRS discuss this return with the preparer shown below (see instructions)? ☐ Yes ☐ No**Paid Preparer's Use Only**

Preparer's signature ▶

Date

Check if self-employed ☐

Preparer's SSN or PTIN

Firm's name (or yours if self-employed), address, and ZIP code ▶

EIN

Phone no. ()

Schedule C—Rent Income (From Real Property and Personal Property Leased With Real Property)

(See instructions on page 17.)

1 Description of property

| |
|-----|
| (1) |
| (2) |
| (3) |
| (4) |

2 Rent received or accrued

| (a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%) | (b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income) | 3 Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule) |
|---|---|---|
| (1) | (1) | |
| (2) | (2) | |
| (3) | (3) | |
| (4) | (4) | |
| Total | Total | |

Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) . . . ▶**Total deductions.** Enter here and on page 1, Part I, line 6, column (B) . . . ▶**Schedule E—Unrelated Debt-Financed Income** (See instructions on page 17.)

| 1 Description of debt-financed property | 2 Gross income from or allocable to debt-financed property | 3 Deductions directly connected with or allocable to debt-financed property | | |
|---|---|--|--|---|
| | | (a) Straight line depreciation (attach schedule) | (b) Other deductions (attach schedule) | |
| (1) | | | | |
| (2) | | | | |
| (3) | | | | |
| (4) | | | | |
| 4 Amount of average acquisition debt on or allocable to debt-financed property (attach schedule) | 5 Average adjusted basis of or allocable to debt-financed property (attach schedule) | 6 Column 4 divided by column 5 | 7 Gross income reportable (column 2 × column 6) | 8 Allocable deductions (column 6 × total of columns 3(a) and 3(b)) |
| (1) | | % | | |
| (2) | | % | | |
| (3) | | % | | |
| (4) | | % | | |
| | | | Enter here and on page 1, Part I, line 7, column (A). | Enter here and on page 1, Part I, line 7, column (B). |

Totals. ▶**Total dividends-received deductions** included in column 8 ▶**Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations** (See instructions on page 18.)

| 1 Name of Controlled Organization | 2 Employer Identification Number | Exempt Controlled Organizations | | | |
|--|---|---|---|---|--|
| | | 3 Net unrelated income (loss) (see instructions) | 4 Total of specified payments made | 5 Part of column (4) that is included in the controlling organization's gross income | 6 Deductions directly connected with income in column (5) |
| (1) | | | | | |
| (2) | | | | | |
| (3) | | | | | |
| (4) | | | | | |

Nonexempt Controlled Organizations

| 7 Taxable Income | 8 Net unrelated income (loss) (see instructions) | 9 Total of specified payments made | 10 Part of column (9) that is included in the controlling organization's gross income | 11 Deductions directly connected with income in column (10) |
|-------------------------|---|---|--|---|
| (1) | | | | |
| (2) | | | | |
| (3) | | | | |
| (4) | | | | |
| | | | Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A). | Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B). |

Totals ▶

Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization

(See instructions on page 19.)

| 1 Description of income | 2 Amount of income | 3 Deductions directly connected (attach schedule) | 4 Set-asides (attach schedule) | 5 Total deductions and set-asides (col. 3 plus col. 4) |
|---------------------------|---|---|--------------------------------|--|
| (1) | | | | |
| (2) | | | | |
| (3) | | | | |
| (4) | | | | |
| Totals ▶ | Enter here and on page 1, Part I, line 9, column (A). | | | Enter here and on page 1, Part I, line 9, column (B). |

Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income

(See instructions on page 19.)

| 1 Description of exploited activity | 2 Gross unrelated business income from trade or business | 3 Expenses directly connected with production of unrelated business income | 4 Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7. | 5 Gross income from activity that is not unrelated business income | 6 Expenses attributable to column 5 | 7 Excess exempt expenses (column 6 minus column 5, but not more than column 4). |
|-------------------------------------|--|--|---|--|-------------------------------------|---|
| (1) | | | | | | |
| (2) | | | | | | |
| (3) | | | | | | |
| (4) | | | | | | |
| Totals ▶ | Enter here and on page 1, Part I, line 10, col. (A). | Enter here and on page 1, Part I, line 10, col. (B). | | | | Enter here and on page 1, Part II, line 26. |

Schedule J—Advertising Income (See instructions on page 19.)**Part I Income From Periodicals Reported on a Consolidated Basis**

| 1 Name of periodical | 2 Gross advertising income | 3 Direct advertising costs | 4 Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7. | 5 Circulation income | 6 Readership costs | 7 Excess readership costs (column 6 minus column 5, but not more than column 4). |
|--|----------------------------|----------------------------|---|----------------------|--------------------|--|
| (1) | | | | | | |
| (2) | | | | | | |
| (3) | | | | | | |
| (4) | | | | | | |
| Totals (carry to Part II, line (5)) . . . ▶ | | | | | | |

Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

| | | | | | | |
|---|--|--|--|--|--|---|
| (1) | | | | | | |
| (2) | | | | | | |
| (3) | | | | | | |
| (4) | | | | | | |
| (5) Totals from Part I | | | | | | |
| Totals , Part II (lines 1-5) . . . ▶ | Enter here and on page 1, Part I, line 11, col. (A). | Enter here and on page 1, Part I, line 11, col. (B). | | | | Enter here and on page 1, Part II, line 27. |

Schedule K—Compensation of Officers, Directors, and Trustees (See instructions on page 20.)

| 1 Name | 2 Title | 3 Percent of time devoted to business | 4 Compensation attributable to unrelated business |
|---|---------|---------------------------------------|---|
| | | % | |
| | | % | |
| | | % | |
| | | % | |
| Total . Enter here and on page 1, Part II, line 14 ▶ | | | |

Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))

OMB No. 1545-0687

2005Department of the Treasury
Internal Revenue ServiceFor calendar year 2005 or other tax year beginning , 2005, and ending , 20
▶ See separate instructions.**A** ☐ Check box if address changed**B** Exempt under section

- ☐ 501() ()
☐ 408(e) ☐ 220(e)
☐ 408A ☐ 530(a)
☐ 529(a)

Print or TypeName of organization (☐ Check box if name changed and see instructions.)

Number, street, and room or suite no. (If a P.O. box, see page 7 of instructions.)

City or town, state, and ZIP code

D Employer identification number
(Employees' trust, see instructions for Block D on page 7.)
:**E New unrelated bus. activity codes**
(See instructions for Block E on page 7.)
:**C** Book value of all assets at end of year**F** Group exemption number (See instructions for Block F on page 7.) ▶**G** Check organization type ▶ ☐ 501(c) corporation ☐ 501(c) trust ☐ 401(a) trust ☐ Other trust**H** Describe the organization's primary unrelated business activity. ▶**I** During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? . ▶ ☐ Yes ☐ No
If "Yes," enter the name and identifying number of the parent corporation. ▶**J** The books are in care of ▶ Telephone number ▶ ()**Part I Unrelated Trade or Business Income**

| | (A) Income | (B) Expenses | (C) Net |
|---|------------|--------------|---------|
| 1a Gross receipts or sales | | | |
| b Less returns and allowances | | | |
| c Balance ▶ | 1c | | |
| 2 Cost of goods sold (Schedule A, line 7) | 2 | | |
| 3 Gross profit. Subtract line 2 from line 1c | 3 | | |
| 4a Capital gain net income (attach Schedule D) | 4a | | |
| b Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797) | 4b | | |
| c Capital loss deduction for trusts | 4c | | |
| 5 Income (loss) from partnerships and S corporations (attach statement) | 5 | | |
| 6 Rent income (Schedule C) | 6 | | |
| 7 Unrelated debt-financed income (Schedule E) | 7 | | |
| 8 Interest, annuities, royalties, and rents from controlled organizations (Schedule F) | 8 | | |
| 9 Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G) | 9 | | |
| 10 Exploited exempt activity income (Schedule I) | 10 | | |
| 11 Advertising income (Schedule J) | 11 | | |
| 12 Other income (See page 9 of the instructions—attach schedule.) | 12 | | |
| 13 Total. Combine lines 3 through 12 | 13 | | |

Part II Deductions Not Taken Elsewhere (See page 9 of the instructions for limitations on deductions.)
(Except for contributions, deductions must be directly connected with the unrelated business income.)

| | | | |
|---|------------|--|------------|
| 14 Compensation of officers, directors, and trustees (Schedule K) | 14 | | |
| 15 Salaries and wages | 15 | | |
| 16 Repairs and maintenance | 16 | | |
| 17 Bad debts | 17 | | |
| 18 Interest (attach schedule) | 18 | | |
| 19 Taxes and licenses | 19 | | |
| 20 Charitable contributions (See page 11 of the instructions for limitation rules.) | 20 | | |
| 21 Depreciation (attach Form 4562) | 21 | | |
| 22 Less depreciation claimed on Schedule A and elsewhere on return | 22a | | 22b |
| 23 Depletion | 23 | | |
| 24 Contributions to deferred compensation plans | 24 | | |
| 25 Employee benefit programs | 25 | | |
| 26 Excess exempt expenses (Schedule I) | 26 | | |
| 27 Excess readership costs (Schedule J) | 27 | | |
| 28 Other deductions (attach schedule) | 28 | | |
| 29 Total deductions. Add lines 14 through 28 | 29 | | |
| 30 Unrelated business taxable income before net operating loss deduction. Subtract line 29 from line 13 | 30 | | |
| 31 Net operating loss deduction (limited to the amount on line 30) | 31 | | |
| 32 Unrelated business taxable income before specific deduction. Subtract line 31 from line 30 | 32 | | |
| 33 Specific deduction (Generally \$1,000, but see line 33 instructions for exceptions.) | 33 | | |
| 34 Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32. | 34 | | |

Part III Tax Computation**35 Organizations Taxable as Corporations.** See instructions for tax computation on page 13. Controlled group members (sections 1561 and 1563)—check here ☐. **See instructions** and:**a** Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):**(1)** \$ **(2)** \$ **(3)** \$ **b** Enter organization's share of: **(1)** Additional 5% tax (not more than \$11,750) \$ **(2)** Additional 3% tax (not more than \$100,000) \$ **c** Income tax on the amount on line 34 ☐ **35c****36 Trusts Taxable at Trust Rates.** See instructions for tax computation on page 14. Income tax on the amount on line 34 from: ☐ Tax rate schedule or ☐ Schedule D (Form 1041) ☐ **36****37 Proxy tax.** See page 14 of the instructions ☐ **37****38 Alternative minimum tax** ☐ **38****39 Total.** Add lines 37 and 38 to line 35c or 36, whichever applies ☐ **39****Part IV Tax and Payments****40a** Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116) ☐ **40a****b** Other credits (See page 14 of the instructions.) ☐ **40b****c** General business credit—Check here and indicate which forms are attached:☐ Form 3800 ☐ Form(s) (specify) **40c****d** Credit for prior year minimum tax (attach Form 8801 or 8827) ☐ **40d****e Total credits.** Add lines 40a through 40d. ☐ **40e****41** Subtract line 40e from line 39 ☐ **41****42** Other taxes. Check if from: ☐ Form 4255 ☐ Form 8611 ☐ Form 8697 ☐ Form 8866 ☐ Other (attach schedule) ☐ **42****43 Total tax.** Add lines 41 and 42 ☐ **43****44a** Payments: A 2004 overpayment credited to 2005. ☐ **44a****b** 2005 estimated tax payments. ☐ **44b****c** Tax deposited with Form 8868 ☐ **44c****d** Foreign organizations—Tax paid or withheld at source (see instructions) ☐ **44d****e** Backup withholding (see instructions) ☐ **44e****f** Other credits and payments: ☐ Form 2439 ☐ **44f**☐ Form 4136 ☐ Other Total ☐ **44f****45 Total payments.** Add lines 44a through 44f. ☐ **45****46** Estimated tax penalty (See page 4 of the instructions.) Check ☐ if Form 2220 is attached ☐ **46****47 Tax due.** If line 45 is less than the total of lines 43 and 46, enter amount owed ☐ **47****48 Overpayment.** If line 45 is larger than the total of lines 43 and 46, enter amount overpaid ☐ **48****49** Enter the amount of line 48 you want: **Credited to 2006 estimated tax** ☐ **Refunded** ☐ **49****Part V Statements Regarding Certain Activities and Other Information** (See instructions on page 16.)**1** At any time during the 2005 calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?
If "Yes," the organization may have to file Form TD F 90-22.1. If "Yes," enter the name of the foreign country here **Yes** **No****2** During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust?
If "Yes," see page 5 of the instructions for other forms the organization may have to file.**3** Enter the amount of tax-exempt interest received or accrued during the tax year \$**Schedule A—Cost of Goods Sold.** Enter method of inventory valuation ☐**1** Inventory at beginning of year. ☐ **1****2** Purchases ☐ **2****3** Cost of labor ☐ **3****4a** Additional section 263A costs (attach schedule). ☐ **4a****b** Other costs (attach schedule). ☐ **4b****5 Total.** Add lines 1 through 4b. ☐ **5****6** Inventory at end of year ☐ **6****7 Cost of goods sold.** Subtract line 6 from line 5. Enter here and in Part I, line 2 ☐ **7****8** Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization? ☐ **Yes** ☐ **No****Sign Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer Date Title May the IRS discuss this return with the preparer shown below (see instructions)? ☐ **Yes** ☐ **No****Paid Preparer's Use Only**Preparer's signature Date Check if self-employed ☐Preparer's SSN or PTIN Firm's name (or yours if self-employed), address, and ZIP code EIN
Phone no. ()

Schedule C—Rent Income (From Real Property and Personal Property Leased With Real Property)

(See instructions on page 17.)

1 Description of property

| |
|-----|
| (1) |
| (2) |
| (3) |
| (4) |

2 Rent received or accrued

| (a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%) | (b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income) | 3 Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule) |
|---|---|---|
| (1) | | |
| (2) | | |
| (3) | | |
| (4) | | |
| Total | Total | |

Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A).**Total deductions.** Enter here and on page 1, Part I, line 6, column (B).**Schedule E—Unrelated Debt-Financed Income** (See instructions on page 17.)

| 1 Description of debt-financed property | | 2 Gross income from or allocable to debt-financed property | 3 Deductions directly connected with or allocable to debt-financed property | |
|--|--|--|---|--|
| | | | (a) Straight line depreciation (attach schedule) | (b) Other deductions (attach schedule) |
| (1) | | | | |
| (2) | | | | |
| (3) | | | | |
| (4) | | | | |
| 4 Amount of average acquisition debt on or allocable to debt-financed property (attach schedule) | 5 Average adjusted basis of or allocable to debt-financed property (attach schedule) | 6 Column 4 divided by column 5 | 7 Gross income reportable (column 2 × column 6) | 8 Allocable deductions (column 6 × total of columns 3(a) and 3(b)) |
| (1) | | % | | |
| (2) | | % | | |
| (3) | | % | | |
| (4) | | % | | |
| Totals. | | | Enter here and on page 1, Part I, line 7, column (A). | Enter here and on page 1, Part I, line 7, column (B). |

Totals.**Total dividends-received deductions** included in column 8**Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations** (See instructions on page 18.)

| 1 Name of Controlled Organization | 2 Employer Identification Number | Exempt Controlled Organizations | | | |
|--|---|---|---|---|--|
| | | 3 Net unrelated income (loss) (see instructions) | 4 Total of specified payments made | 5 Part of column (4) that is included in the controlling organization's gross income | 6 Deductions directly connected with income in column (5) |
| (1) | | | | | |
| (2) | | | | | |
| (3) | | | | | |
| (4) | | | | | |

Nonexempt Controlled Organizations

| 7 Taxable Income | 8 Net unrelated income (loss) (see instructions) | 9 Total of specified payments made | 10 Part of column (9) that is included in the controlling organization's gross income | 11 Deductions directly connected with income in column (10) |
|-------------------------|---|---|--|---|
| (1) | | | | |
| (2) | | | | |
| (3) | | | | |
| (4) | | | | |
| | | | Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A). | Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B). |

Totals

Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization

(See instructions on page 19.)

| 1 Description of income | 2 Amount of income | 3 Deductions directly connected (attach schedule) | 4 Set-asides (attach schedule) | 5 Total deductions and set-asides (col. 3 plus col. 4) |
|---------------------------|---|---|--------------------------------|--|
| (1) | | | | |
| (2) | | | | |
| (3) | | | | |
| (4) | | | | |
| Totals ▶ | Enter here and on page 1, Part I, line 9, column (A). | | | Enter here and on page 1, Part I, line 9, column (B). |

Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income

(See instructions on page 19.)

| 1 Description of exploited activity | 2 Gross unrelated business income from trade or business | 3 Expenses directly connected with production of unrelated business income | 4 Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7. | 5 Gross income from activity that is not unrelated business income | 6 Expenses attributable to column 5 | 7 Excess exempt expenses (column 6 minus column 5, but not more than column 4). |
|-------------------------------------|--|--|---|--|-------------------------------------|---|
| (1) | | | | | | |
| (2) | | | | | | |
| (3) | | | | | | |
| (4) | | | | | | |
| Totals ▶ | Enter here and on page 1, Part I, line 10, col. (A). | Enter here and on page 1, Part I, line 10, col. (B). | | | | Enter here and on page 1, Part II, line 26. |

Schedule J—Advertising Income (See instructions on page 19.)**Part I Income From Periodicals Reported on a Consolidated Basis**

| 1 Name of periodical | 2 Gross advertising income | 3 Direct advertising costs | 4 Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7. | 5 Circulation income | 6 Readership costs | 7 Excess readership costs (column 6 minus column 5, but not more than column 4). |
|--|----------------------------|----------------------------|---|----------------------|--------------------|--|
| (1) | | | | | | |
| (2) | | | | | | |
| (3) | | | | | | |
| (4) | | | | | | |
| Totals (carry to Part II, line (5)) . . . ▶ | | | | | | |

Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

| | | | | | | |
|-------------------------------|--|--|--|--|--|---|
| (1) | | | | | | |
| (2) | | | | | | |
| (3) | | | | | | |
| (4) | | | | | | |
| (5) Totals from Part I | | | | | | |
| | Enter here and on page 1, Part I, line 11, col. (A). | Enter here and on page 1, Part I, line 11, col. (B). | | | | Enter here and on page 1, Part II, line 27. |

Totals, Part II (lines 1-5) . . . ▶**Schedule K—Compensation of Officers, Directors, and Trustees** (See instructions on page 20.)

| 1 Name | 2 Title | 3 Percent of time devoted to business | 4 Compensation attributable to unrelated business |
|---|---------|---------------------------------------|---|
| | | % | |
| | | % | |
| | | % | |
| | | % | |
| Total . Enter here and on page 1, Part II, line 14 ▶ | | | |

**Estimated Tax on Unrelated Business Taxable
Income for Tax-Exempt Organizations**

(and on Investment Income for Private Foundations)

(Keep for your records. Do not send to the Internal Revenue Service.)

2006

| | | | | |
|------------|---|------------|------------|------------|
| 1 | Unrelated business taxable income expected in the tax year | 1 | | |
| 2 | Tax on the amount on line 1. (See instructions for tax computation.) | 2 | | |
| 3 | Alternative minimum tax (see instructions) | 3 | | |
| 4 | Total. Add lines 2 and 3 | 4 | | |
| 5 | Estimated tax credits (see instructions). | 5 | | |
| 6 | Balance. Subtract line 5 from line 4 | 6 | | |
| 7 | Other taxes (see instructions). | 7 | | |
| 8 | Total. Add lines 6 and 7 | 8 | | |
| 9 | Credit for federal tax paid on fuels (see instructions) | 9 | | |
| 10a | Subtract line 9 from line 8. Note. If less than \$500, the organization is not required to make estimated tax payments. (Private foundations, see instructions.) | 10a | | |
| b | Enter the tax shown on the 2005 return (see instructions). (Caution. If zero or the tax year was for less than 12 months, skip this line and enter the amount from line 10a on line 10c) | 10b | | |
| c | 2006 Estimated Tax. Enter the smaller of line 10a or line 10b. If the organization is required to skip line 10b, enter the amount from line 10a on line 10c. | 10c | | |
| | | | (a) | (b) |
| | | | (c) | (d) |
| 11 | Installment due dates (see instructions) | 11 | | |
| 12 | Required installments. Enter 25% of line 10c in columns (a) through (d) unless the organization uses the annualized income installment method, the adjusted seasonal installment method, or is a "large organization" (see instructions) | 12 | | |
| 13 | 2005 Overpayment (see instructions). | 13 | | |
| 14 | Payment due. (Subtract line 13 from line 12.) | 14 | | |

Schedule A Required Installments Using the Annualized Income Installment Method and/or the Adjusted Seasonal Installment Method Under Section 6655(e).

Note. See the instructions for Schedule A. An organization that expects its income to vary during the year may want to complete Schedule A to determine whether it may be able to lower the amount of one or more required installments.

Complete each column of this schedule in its entirety before going to the next column.

| Part I—Annualized Income Installment Method | | (a) | (b) | (c) | (d) |
|--|---|-------------------|-------------------|-------------------|-------------------|
| | | First ____ months | First ____ months | First ____ months | First ____ months |
| 1 | Annualization period (see instructions) | 1 | | | |
| 2 | Enter taxable income for each annualization period (see instructions) | 2 | | | |
| 3 | Annualization amounts (see instructions) | 3 | | | |
| 4 | Annualized taxable income. Multiply line 2 by line 3. | 4 | | | |
| 5 | Figure the tax on the amount in each column on line 4 in the same manner as you figured line 2, Form 990-W. | 5 | | | |
| 6 | Enter alternative minimum tax and other taxes for each annualization period (see instructions) | 6 | | | |
| 7 | Total tax. Add lines 5 and 6. | 7 | | | |
| 8 | For each period, enter the same type of credits as allowed on Form 990-W, lines 5 and 9 (see instructions) | 8 | | | |
| 9 | Total tax after credits. Subtract line 8 from line 7. If less than zero, enter -0-. | 9 | | | |
| 10 | Applicable percentage. | 10 | 25% | 50% | 75% |
| 11 | Multiply line 9 by line 10. | 11 | | | |
| 12 | Total of all preceding columns of line 40 (see instructions) | 12 | | | |
| 13 | Annualized income installments. Subtract line 12 from line 11. If zero or less, enter -0-. | 13 | | | |

Part II—Adjusted Seasonal Installment Method (Caution. Use this method only if the base period percentage for any 6 consecutive months is at least 70%. See the instructions for Schedule A, Part II for more information.)

| | | (a) | (b) | (c) | (d) |
|-----------|---|-----------------|----------------|----------------|-----------------|
| | | First 3 months | First 5 months | First 8 months | First 11 months |
| 14 | Enter taxable income for the following periods: | | | | |
| a | Tax year beginning in 2003 | 14a | | | |
| b | Tax year beginning in 2004 | 14b | | | |
| c | Tax year beginning in 2005 | 14c | | | |
| 15 | Enter taxable income for each period for the tax year beginning in 2006. | 15 | | | |
| 16 | Enter taxable income for the following periods: | First 4* months | First 6 months | First 9 months | Entire year |
| a | Tax year beginning in 2003 | 16a | | | |
| b | Tax year beginning in 2004 | 16b | | | |
| c | Tax year beginning in 2005 | 16c | | | |
| 17 | Divide the amount in each column on line 14a by the amount on line 16a, column (d). | 17 | | | |
| 18 | Divide the amount in each column on line 14b by the amount on line 16b, column (d). | 18 | | | |
| 19 | Divide the amount in each column on line 14c by the amount on line 16c, column (d). | 19 | | | |

*First 5 months for private foundations.

| | | (a) | (b) | (c) | (d) |
|--|-----------|----------------|----------------|----------------|-------------|
| | | First 4 months | First 6 months | First 9 months | Entire year |
| 20 Add lines 17 through 19. | 20 | | | | |
| 21 Divide line 20 by 3. | 21 | | | | |
| 22 Divide line 15 by line 21. | 22 | | | | |
| 23 Figure the tax on the amount on line 22 in the same manner as figured on Form 990-W, line 2. | 23 | | | | |
| 24 Divide the amount on line 16a, columns (a) through (c) by the amount on line 16a, column (d). | 24 | | | | |
| 25 Divide the amount on line 16b, columns (a) through (c) by the amount on line 16b, column (d). | 25 | | | | |
| 26 Divide the amount on line 16c, columns (a) through (c) by the amount on line 16c, column (d). | 26 | | | | |
| 27 Add lines 24 through 26. | 27 | | | | |
| 28 Divide line 27 by 3. | 28 | | | | |
| 29 Multiply line 23, columns (a) through (c) by line 28, columns (a) through (c). In column (d), enter the amount from line 23, column (d). | 29 | | | | |
| 30 Enter any alternative minimum tax and other taxes for each payment period (see instructions) | 30 | | | | |
| 31 Total tax. Add lines 29 and 30. | 31 | | | | |
| 32 For each period, enter the same type of credits as allowed on Form 990-W, lines 5 and 9 (see instructions) | 32 | | | | |
| 33 Total tax after credits. Subtract line 32 from line 31. If zero or less, enter -0-. | 33 | | | | |
| 34 Total of all preceding columns of line 40 (see instructions) | 34 | | | | |
| 35 Adjusted seasonal installments. Subtract line 34 from line 33. If zero or less, enter -0-. | 35 | | | | |

Part III—Required Installments

| | | (a) | (b) | (c) | (d) |
|--|-----------|-----------------|-----------------|-----------------|-----------------|
| | | 1st installment | 2nd installment | 3rd installment | 4th installment |
| 36 If only one of the above parts was completed, enter the amounts in each column from line 13 or line 35. (If both parts were completed, enter the smaller of the amounts in each column from line 13 or line 35.) | 36 | | | | |
| 37 Divide line 10c, page 1 of Form 990-W, by 4 and enter the result in each column. (Note. Large organizations, see instructions for line 12 on page 5 for the amount to enter.) | 37 | | | | |
| 38 Subtract line 40 of the preceding column from line 39 of the preceding column and enter here. | 38 | | | | |
| 39 Add lines 37 and 38. | 39 | | | | |
| 40 Required installments. Enter the smaller of line 36 or line 39 here and on Form 990-W, line 12, page 1. | 40 | | | | |

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Who Must Make Estimated Tax Payments

Tax-exempt corporations, tax-exempt trusts, and domestic private foundations must make estimated tax payments if the total expected tax for the tax year (line 10a) is \$500 or more. Use Form 990-W to figure the organization's estimated tax liability for 2006.

When To Make Estimated Tax Payments For 2006

For a calendar or fiscal year organization, the payments are due by the 15th day of the 4th (the 5th month for private foundations), 6th, 9th, and 12th months of the tax year. For a calendar year organization, the payments are due by April 17, June 15, September 15, and December 15, 2006, except that for a calendar year private foundation, the first payment is due on May 15.

Underpayment of Estimated Tax

An organization that does not pay the estimated tax when due may be charged an underpayment penalty under section 6655, at a rate determined under section 6621(a)(2).

Overpayment of Estimated Tax

A corporation that has overpaid its estimated tax may apply for a "quick refund" if the overpayment is at least 10% of its expected income tax liability for the year and is at least \$500. To apply, file Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax, after the end of the tax year and before the corporation files its income tax return. Form 4466 may not be filed after the 15th day of the 3rd month after the end of the tax year.

Depository Method of Tax Payment

See *Electronic deposit requirement* below to determine if your organization must electronically deposit all depository taxes, including the unrelated business income tax and estimated tax payments. Also, see this section if your organization wants to participate voluntarily. If your organization is not required to electronically deposit taxes or does not wish to voluntarily participate, see Form 8109, Federal Tax Deposit Coupon Book.

Electronic deposit requirement. The organization must make electronic deposits of all depository taxes (such as employment tax, excise tax, and unrelated business income tax) using the Electronic Federal Tax Payment System (EFTPS) in 2006 if:

- The total deposits of such taxes in 2004 were more than \$200,000 or
- The organization was required to use EFTPS in 2005.

If the organization is required to use EFTPS and fails to do so, it may be subject to a 10% penalty. If the organization is not required to use EFTPS, it may voluntarily participate. To enroll in or get more information about EFTPS, call 1-800-555-4477. To enroll online, visit www.eftps.gov.

Depositing on time. For deposits made by EFTPS to be on time, the organization must initiate the transaction at least 1 business day before the date the deposit is due.

Form 8109, Federal Tax Deposit Coupon. If the organization does not use EFTPS, deposit unrelated business income tax payments and estimated tax payments with Form 8109. If you do not have a preprinted Form 8109, use Form 8109-B to make deposits. You can get the form only by calling 1-800-829-4933. Be sure to have your employer identification number (EIN) ready when you call.

Do not send deposits directly to an IRS office; otherwise, the organization may have to pay a penalty. Mail or deliver the completed Form 8109 with the payment to an authorized depository, that is, a commercial bank or other financial institution authorized to accept federal tax deposits.

Make checks or money orders payable to the depository. To help ensure proper crediting, write the organization's employer identification number, the tax period to which the deposit applies, and Form 990-T (or 990-PF) on the check or money order. Darken the 990-T (or 990-PF) box on the coupon. Records of these deposits will be sent to the IRS.

For more information on deposits, see the instructions in the coupon booklet (Form 8109) and Pub. 583, *Starting a Business and Keeping Records*.

Refiguring Estimated Tax

If, after the organization figures and deposits estimated tax, it finds that its tax liability for the year will be more or less than originally estimated, it may have to refigure its required installments. If earlier installments were underpaid, the organization may owe a penalty for underpayment of estimated tax.

An immediate "catch-up" payment should be made to reduce the amount of any penalty resulting from the underpayment of any earlier installments, whether caused by a change in estimate, failure to make a deposit, or a mistake.

Specific Instructions

Private foundations. Private foundations required to make estimated tax payments for both the excise tax based on investment income and unrelated business income tax must use two Forms 8109 to deposit the taxes and should also use two Forms 990-W to figure the estimated taxes. Private foundations figuring estimated tax for the excise tax based on investment income should skip lines 1 through 9. See the Instructions for Form 990-PF, *O. Figuring and Paying Estimated Tax*, for information on figuring the excise tax based on investment income.

All organizations. See Form 990-T, Exempt Organization Business Income Tax Return, and its instructions for information on figuring unrelated business income, deductions, and credits for purposes of completing Form 990-W.

Proxy tax. For purposes of Form 990-W, the estimated tax does not include the proxy tax imposed by section 6033(e).

Line 2—Corporations

A corporation figures its tax on the amount on line 1, Form 990-W, using the *2006 Tax Computation for Corporations* on page 5 (members of a controlled group should see the instructions below).

Members of a controlled group. Enter on line 2 of the *2006 Tax Computation for Corporations Worksheet*, the smaller of the amount on line 1 or their share of the \$50,000 amount. Enter on line 4 the smaller of the amount on line 3 or their share of the \$25,000 amount. Enter on line 6 the smaller of the amount on line 5 or their share of the \$9,925,000 amount.

If no apportionment plan is adopted, the members of the controlled group must divide the amount in each taxable income bracket equally among themselves. For example, controlled group AB consists of corporation A and corporation B. They do not elect an apportionment plan. Therefore, both corporation A and corporation B are entitled to \$25,000 (one-half of \$50,000) in the \$50,000 taxable income bracket, \$12,500 (one-half of \$25,000) in the \$25,000 taxable income bracket, and \$4,962,500 (one-half of \$9,925,000) in the \$9,925,000 taxable income bracket.

Members of a controlled group may elect an unequal apportionment plan and divide the amounts in each taxable income bracket in any way they want. They need not divide each taxable income bracket in the same way. For example, if controlled group AB above elects an unequal apportionment plan, any member of the controlled group may be entitled to all, some, or none of the \$50,000 amount in the first taxable income bracket, as long as the total for all members of the controlled group is not more than \$50,000. Similarly, any member may be entitled to all, some, or none of the \$25,000 amount in the second taxable income bracket, and the \$9,925,000 amount in the third taxable income bracket, as long as the total for all members of the controlled group is not more than the bracket amount.

Members of a controlled group are treated as one corporation to figure the additional 5% tax that must be paid by corporations with taxable income in excess of \$100,000 and the additional 3% tax that must be paid by corporations with taxable income in excess of \$15 million. If an additional tax applies, each member of the controlled group will pay that tax based on the part of the amount that is used in each taxable income bracket to reduce that member's tax. See section 1561(a). Each member must

enter its share of the additional 5% tax on line 12 of the 2006 *Tax Computation for Corporations*, and its share of the 3% tax on line 13.

2006 Tax Computation for Corporations

| | | |
|---|-----------|--|
| 1. Enter taxable income (line 1, Form 990-W) | 1 | |
| 2. Enter the smaller of line 1 or \$50,000 (members of a controlled group, see instructions) | 2 | |
| 3. Subtract line 2 from line 1 | 3 | |
| 4. Enter the smaller of line 3 or \$25,000 (members of a controlled group, see instructions) | 4 | |
| 5. Subtract line 4 from line 3 | 5 | |
| 6. Enter the smaller of line 5 or \$9,925,000 (members of a controlled group, see instructions) | 6 | |
| 7. Subtract line 6 from line 5 | 7 | |
| 8. Enter 15% (.15) of line 2 | 8 | |
| 9. Enter 25% (.25) of line 4 | 9 | |
| 10. Enter 34% (.34) of line 6 | 10 | |
| 11. Enter 35% (.35) of line 7 | 11 | |
| 12. If line 1 is greater than \$100,000, enter the smaller of 5% (.05) of the excess over \$100,000 or \$11,750 (members of a controlled group, see instructions) | 12 | |
| 13. If line 1 is greater than \$15 million, enter the smaller of 3% (.03) of the excess over \$15 million or \$100,000 (members of a controlled group, see instructions) | 13 | |
| 14. Total of lines 8 through 13. Enter this amount on line 2, page 1, Form 990-W | 14 | |

Line 2—Trusts

Trusts exempt under section 501(a) and employees' trusts that qualify under section 401(a) are taxed at trust rates. A trust figures the tax on the amount on line 1 using the 2006 *Tax Rate Schedule for Trusts* (below). If you expect a net long-term capital gain and a net capital gain, you may use the 2006 *Tax Computation Worksheet Using Maximum Capital Gains Rates* found in Form 1041-ES.

2006 Tax Rate Schedule for Trusts (Section 1(e) of the Internal Revenue Code)

If the amount on line 1, page 1 is:

| Over— | But not over— | Enter on line 2, page 1: | Of the amount over— |
|--------|---------------|--------------------------|---------------------|
| \$0 | 2,050 | 15% | \$0.00 |
| 2,050 | 4,850 | \$307.50 + 25% | 2,050 |
| 4,850 | 7,400 | 1,007.50 + 28% | 4,850 |
| 7,400 | 10,050 | 1,721.00 + 33% | 7,400 |
| 10,050 | ----- | 2,596.00 + 35% | 10,050 |

Line 3

Alternative minimum tax (AMT) is generally the excess of tentative minimum tax over regular tax. Corporations, see Form 4626, *Alternative Minimum Tax—Corporations*, for details. Trusts, see Schedule I of Form 1041, *U.S. Income Tax Return for Estates and Trusts*.

Line 5

The estimated tax credits include the sum of any credits allowable against unrelated business income tax (except the credits reported on line 9). See Form 990-T and its instructions for information on the credits that may be taken.

Line 7

Other taxes include the sum of any recaptured tax credits. See Form 990-T and its instructions for information on recapture of tax credits that must be included on this line.

Line 9

Complete Form 4136, *Credit for Federal Tax Paid on Fuels*, if the organization qualifies to take this credit. Also include on line 9 any credit the organization is claiming under section 4682(g) for taxes paid on chemicals used as propellants in metered-dose inhalers.

Line 10a

Subtract line 9 from line 8. Private foundations figure the estimated tax by multiplying their estimated net investment income by the tax rate (1% or 2%, whichever applies). Taxable

private foundations and nonexempt charitable trusts treated as private foundations, see *O. Figuring and Paying Estimated Tax and Part VI—Excise Tax Based on Investment Income* in the Instructions for Form 990-PF, for help in figuring the estimated tax. Enter that amount on line 10a. See Part VI of Form 990-PF.

Note. If less than \$500, the organization is not required to make estimated tax payments.

Line 10b

Figure the organization's 2005 tax the same way you figured line 10a of this worksheet, using the taxes and credits from your 2005 tax return. If you did not file a return showing a liability for at least some amount of tax for the 2005 tax year, or if your 2005 tax year was less than 12 months, do not complete this line. Instead, enter the amount from line 10a on line 10c. "Large organizations" see the instructions for line 12 below.

Line 11

Calendar year taxpayers. Enter 4-17-2006 (5-15-2006 for private foundations), 6-15-2006, 9-15-2006, and 12-15-2006, respectively, in columns (a) through (d).

Fiscal year taxpayers. Enter the 15th day of the 4th (5th for private foundations), 6th, 9th, and 12th months of your tax year in columns (a) through (d). If any date falls on a Saturday, Sunday, or legal holiday, substitute the next business day.

Line 12

Annualized income installment method and/or adjusted seasonal installment method. If the organization's income is expected to vary during the year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method and/or the adjusted seasonal installment method. For example, a shop operated by a museum, which because of its location in an area frequented by tourists receives most of its income during the summer months, may be able to benefit from using one or both of these methods in figuring one or more of its required installments.

To use one or both of these methods, complete Schedule A on pages 2 and 3. If you use Schedule A for any payment date, you must use it for all payment due dates. To arrive at the amount of each required installment, Schedule A selects the smallest of: (a) the annualized income installment (if applicable), (b) the adjusted seasonal installment (if applicable), or (c) the regular installment under section 6655(d)(1) (increased by any reduction recapture under section 6655(e)(1)(B)).

Large organization. A "large organization" is any tax-exempt corporation or other organization subject to the tax on unrelated business income or any private foundation subject to the section 4940 tax that had, or whose predecessor had, taxable income (net investment income for purposes of the section 4940 tax) of \$1 million or more for any of the 3 tax years immediately preceding the 2006 tax year. For this purpose, taxable income is modified to exclude net operating loss and capital loss carrybacks or carryovers. Members of a controlled group, as defined in section 1563, must divide the \$1 million amount among themselves in accordance with rules similar to those in section 1561. For more details, see sections 6655(g)(2) and (3).

If Schedule A is not used, use the following instructions to figure the amounts to enter on line 12. (If you are using Schedule A, these instructions apply to line 37 of Schedule A.)

● If line 10a is smaller than line 10b: Enter 25% (.25) of line 10a in columns (a) through (d) of line 12.

● If line 10b is smaller than line 10a: In column (a) of line 12, enter 25% (.25) of line 10b. In column (b), determine the amount to enter by: (i) subtracting line 10b from line 10a, (ii) adding the result to the amount on line 10a, and (iii) multiplying the total by 25% (.25). In columns (c) and (d), enter 25% (.25) of line 10a.

Line 13

Enter any 2005 overpayment that the organization chose to credit against its 2006 tax. The overpayment is credited against unpaid required installments in the order in which the installments are required to be paid.

Line 14

See *Depository Method of Tax Payment* on page 4 to determine the method for making the line 14 payments.

Schedule A

If you are using only the annualized income installment method (Part I), complete Parts I and III of Schedule A. If you are using only the adjusted seasonal installment method (Part II), complete Parts II and III. If you are using both methods, complete all three parts. Enter in each column on line 12 of page 1, Form 990-W, the amounts from the corresponding column of line 40 of Schedule A.



Do not figure any required installment until after the end of the month preceding the due date for that installment.

For each part that applies to you, complete each column in its entirety before going to the next column. For example, if Parts I and III are required, complete column (a), lines 1 through 13, and lines 36 through 40, before starting column (b).

Part I—Annualized Income Installment Method

Line 1

Enter on line 1, in columns (a) through (d), respectively, the annualization period that the organization is using, based on the options described below. You may elect option 1 separately for each installment.

| | 1st Installment | 2nd Installment | 3rd Installment | 4th Installment |
|------------------------|--------------------|--------------------|--------------------|--------------------|
| Standard Option | 2 | 3 | 6 | 9 |
| Option 1 | 2 | 4 | 7 | 10 |

Line 2

If an organization has amounts includible in income under section 936(h) (Puerto Rico and possessions tax credits) or section 951(a) (controlled foreign corporation income), special rules apply.

Organizations must take income (and allocable credits) under section 936(h) or 951(a) into account as the income is earned. The amounts are figured in a manner similar to the way partnership income inclusions (and allocable credits) are taken into account to figure a partner's annualized income installments as provided in Regulations section 1.6654-2(d)(2).

Safe harbor election. Organizations may be able to make a prior year safe harbor election. Under the election, an eligible organization is treated as having received ratably during the tax year, items of income under sections 936(h) and 951(a) (and allocable credits) equal to a specified percentage of the amounts shown on the organization's return for the first preceding tax year (the second preceding tax year for the first and second required installments).

For more information, see section 6655(e)(4) and Rev. Proc. 95-23, 1995-1 C.B. 693.

Line 3

Enter on line 3, in columns (a) through (d), respectively, the annualization amounts for the option used for line 1.

| | 1st Installment | 2nd Installment | 3rd Installment | 4th Installment |
|------------------------|--------------------|--------------------|--------------------|--------------------|
| Standard Option | 6 | 4 | 2 | 1.33333 |
| Option 1 | 6 | 3 | 1.71429 | 1.2 |

Line 6

For the same taxes used to figure lines 3 and 7 of Form 990-W, figure the amounts for the months shown on line 1.

Tax-exempt corporations that are not exempt from the alternative minimum tax figure the tax by first computing alternative minimum taxable income under section 55, based on the corporation's income and deductions for the annualization period entered in each column in line 1. Then multiply the alternative minimum taxable income by the annualization amounts (line 3) used to figure annualized taxable income. Subtract the exemption amount under section 55(d)(2).

Line 8

Enter the credits to which the organization is entitled for the months shown in each column on line 1.

Line 12

In column (b), enter the amount from Part III, line 40, column (a), page 3. In column (c), enter the sum of the amounts in line 40,

columns (a) and (b). In column (d), enter the sum of the amounts in line 40, columns (a), (b), and (c).

Part II—Adjusted Seasonal Installment Method

The adjusted seasonal installment method is used by organizations that normally receive their taxable income on a seasonal basis. Therefore, Part II is only used by organizations whose "base period percentage" for any 6 consecutive months equals or exceeds 70% (.70). Figure the base period percentage using the 6-month period in which the organization normally receives the largest part of its taxable income. Divide the taxable income for the corresponding 6-month period in each of the 3 preceding tax years by the taxable income for each of these years. The following example explains the computation.

Example. A tax-exempt organization that has a calendar year as its tax year receives the largest part of its unrelated business taxable income during the 6-month period from May through October. To figure its base period percentage for the period May through October 2006, the organization must figure its taxable income for the period May through October in each of the years 2003, 2004, and 2005. The taxable income for each May-through-October period is then divided by the total taxable income for the tax year in which the period is included, resulting in the following: 69% for May through October 2003; 74% for May through October 2004; and 67% for May through October 2005. The average of 69%, 74%, and 67% is 70%. Therefore, the base period percentage for May through October 2006 is 70% and the organization qualifies for the adjusted seasonal installment method.

Line 30

For the same taxes used to figure lines 3 and 7 of Form 990-W, figure the amounts for the months shown in the column headings above line 14.

Tax-exempt corporations that are not exempt from the alternative minimum tax figure the tax by first computing alternative minimum taxable income under section 55, based on the organization's income and deductions during the months shown in the column headings above line 14 of Part II. Divide the alternative minimum taxable income by the amounts shown on line 21. Subtract the exemption amount under section 55(d)(2). For columns (a) through (c) only, multiply the alternative minimum tax by the amounts shown on line 28.

Line 32

Enter the credits to which you are entitled because of events that occurred during the months shown in the column headings above line 14 of Part II.

Line 34

In column (b), enter the amount from Part III, line 40, column (a), page 3. In column (c), enter the sum of the amounts in line 40, columns (a) and (b). In column (d), enter the sum of the amounts in line 40, columns (a), (b), and (c).

Paperwork Reduction Act Notice. This form is optional. It is provided only to help you determine your estimated tax liability.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average times are:

| Form | Recordkeeping | Learning about the law or the form | Preparing the form |
|------------------------------|-----------------|------------------------------------|--------------------|
| Form 990-W | 10 hr., 2 min. | 1 hr., 40 min. | 1 hr., 55 min. |
| Form 990-W, Sch. A (Pt. I) | 11 hr., 14 min. | 42 min. | 54 min. |
| Form 990-W, Sch. A (Pt. II) | 23 hr., 26 min. | 12 min. | 35 min. |
| Form 990-W, Sch. A (Pt. III) | 4 hr., 32 min. | - - - | 4 min. |

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send the form to this address. Instead, keep the form for your records.

Schedule B
(Form 990, 990-EZ,
or 990-PF)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

Supplementary Information for
line 1 of Form 990, 990-EZ, and 990-PF (see instructions)

OMB No. 1545-0047

2005

Name of organization

Employer identification number

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

☐ 501(c)() (enter number) organization

☐ 4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

☐ 527 political organization

Form 990-PF

☐ 501(c)(3) exempt private foundation

☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation

☐ 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**. (Note: Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule—see instructions.)

General Rule—

- ☐ For organizations filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. (Complete Parts I and II.)

Special Rules—

- ☐ For a section 501(c)(3) organization filing Form 990, or Form 990-EZ, that met the 33⅓% support test under Regulations sections 1.509(a)-3/1.170A-9(e) and received from any one contributor, during the year, a contribution of the greater of \$5,000 or 2% of the amount on line 1 of these forms. (Complete Parts I and II.)
- ☐ For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, aggregate contributions or bequests of more than \$1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. (Complete Parts I, II, and III.)
- ☐ For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, some contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not aggregate to more than \$1,000. (If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the Parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of \$5,000 or more during the year.) ► \$ _____

Caution: Organizations that are not covered by the General Rule and/or the Special Rules do not file Schedule B (Form 990, 990-EZ, or 990-PF), but they **must** check the box in the heading of their Form 990, Form 990-EZ, or on line 2 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization

Employer identification number
:**Part I** Contributors (See Specific Instructions.)

| (a) No. | (b) Name, address, and ZIP + 4 | (c) Aggregate contributions | (d) Type of contribution |
|------------|-----------------------------------|--------------------------------|--|
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |

Name of organization

Employer identification number

Part I Contributors (See Specific Instructions.)

| (a) No. | (b) Name, address, and ZIP + 4 | (c) Aggregate contributions | (d) Type of contribution |
|------------|-----------------------------------|--------------------------------|---|
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |

Name of organization

Employer identification number
:**Part I** Contributors (See Specific Instructions.)

| (a) No. | (b) Name, address, and ZIP + 4 | (c) Aggregate contributions | (d) Type of contribution |
|------------|-----------------------------------|--------------------------------|---|
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |
| _____ | _____ _____ _____ | \$ _____ | Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.) |

Name of organization

Employer identification number
:**Part II** Noncash Property (See Specific Instructions.)

| (a) No. from Part I | (b) Description of noncash property given | (c) FMV (or estimate) (see instructions) | (d) Date received |
|---------------------------|--|--|----------------------|
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |

Name of organization

Employer identification number

Part II Noncash Property (See Specific Instructions.)

| (a) No. from Part I | (b) Description of noncash property given | (c) FMV (or estimate) (see instructions) | (d) Date received |
|---------------------------|--|--|----------------------|
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |
| _____ | _____ _____ _____ _____ | \$ _____ | ____ / ____ / ____ |

| | |
|----------------------|--------------------------------|
| Name of organization | Employer identification number |
|----------------------|--------------------------------|

Part III **Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations aggregating more than \$1,000 for the year.** (Complete columns (a) through (e) and the following line entry.)

For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this information once—see instructions.) ► \$

| (a) No. from Part I | (b) Purpose of gift | (c) Use of gift | (d) Description of how gift is held |
|---|------------------------|--|--|
| _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| (e) Transfer of gift | | | |
| Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| (e) Transfer of gift | | | |
| Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| (e) Transfer of gift | | | |
| Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| (e) Transfer of gift | | | |
| Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | | _____ | |

| | |
|----------------------|--------------------------------|
| Name of organization | Employer identification number |
|----------------------|--------------------------------|

Part III Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations aggregating more than \$1,000 for the year. (Complete columns (a) through (e) and the following line entry.)

For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this information once—see instructions.) ► \$

| (a) No. from Part I | (b) Purpose of gift | (c) Use of gift | (d) Description of how gift is held |
|---|------------------------|--|--|
| _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| (e) Transfer of gift | | | |
| Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| (e) Transfer of gift | | | |
| Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| (e) Transfer of gift | | | |
| Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| | _____ | _____ | _____ |
| (e) Transfer of gift | | | |
| Transferee's name, address, and ZIP + 4 | | Relationship of transferor to transferee | |
| _____ | | _____ | |
| _____ | | _____ | |
| _____ | | _____ | |

General Instructions

Purpose of Form

Schedule B (Form 990, 990-EZ, or 990-PF) is used to provide information on contributions the organization reported on line 1 of its—

- **Form 990-PF**, Return of Private Foundation,
- **Form 990**, Return of Organization Exempt From Income Tax, or
- **Form 990-EZ**, Short Form Return of Organization Exempt From Income Tax.

Who Must File Schedule B

All organizations must attach a completed Schedule B to their Form 990, 990-EZ, or 990-PF, unless they certify that they do not meet the filing requirements of this schedule by checking the proper box in the heading of their Form 990, Form 990-EZ, or on line 2 of Form 990-PF. See the instructions for Schedule B found in the separate instructions for those forms.

Public Inspection

Schedule B is:

- Open to public inspection for an organization that files Form 990-PF,
- Open to public inspection for a section 527 political organization that files Form 990 or Form 990-EZ, or
- For the other organizations that file Form 990 or Form 990-EZ, the names and addresses of contributors are not open to public inspection. All other information, including the amount of contributions, the description of noncash contributions, and any other information provided will be open to public inspection, unless it clearly identifies the contributor.

If an organization files a copy of Form 990, or Form 990-EZ, and attachments, with any state, it should not include its Schedule B in the attachments for the state, unless a schedule of contributors is specifically required by the state. States that do not require the information might inadvertently make the schedule available for public inspection along with the rest of the Form 990 or Form 990-EZ.

See the Instructions for Form 990 and Form 990-EZ, as well as the Instructions for Form 990-PF, for phone help information and the public inspection rules for those forms and their attachments.

Contributors To Be Listed on Part I

A “contributor” (person) includes individuals, fiduciaries, partnerships, corporations, associations, trusts, and exempt organizations.

General Rule

Unless the organization is covered by one of the *Special Rules* below, it must list on Part I every contributor who, during the year, gave the organization directly or indirectly, money, securities, or any other type of property aggregating \$5,000 or more for the year. Complete Part II for a noncash contribution. To determine the \$5,000 or more amount, total all of the contributor's gifts only if they are \$1,000 or more for the year.

Special Rules

Section 501(c)(3) organizations that file Form 990 or Form 990-EZ. For an organization described in section 501(c)(3) that meets the 33⅓% support test under Regulations sections 1.509(a)-3/1.170A-9(e) (whether or not the organization is otherwise described in section 170(b)(1)(A))—

List in Part I only those contributors whose contribution of \$5,000 or more is greater than 2% of the amount reported on

line 1d of Form 990 (or line 1 of Form 990-EZ) (Regulations section 1.6033-2(a)(2)(iii)(a)).

Example. A section 501(c)(3) organization, of the type described above, reported \$700,000 in total contributions, gifts, grants, and similar amounts received on line 1d of its Form 990. The organization is only required to list in Parts I and II of its Schedule B each person who contributed more than the greater of \$5,000 or 2% of \$700,000, that is, \$14,000. Thus, a contributor who gave a total of \$11,000 would not be reported in Parts I and II for this section 501(c)(3) organization. Even though the \$11,000 contribution to the organization was greater than \$5,000, it did not exceed \$14,000.

Section 501(c)(7), (8), or (10) organizations. For contributions to these social and recreational clubs, fraternal beneficiary and domestic fraternal societies, orders, or associations that were not for an exclusively religious, charitable, etc., purpose, list in Part I, each contributor who, during the year, contributed \$5,000 or more as described above under the *General Rule*.

For contributions or bequests to a section 501(c)(7), (8), or (10) organization received for use exclusively for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals (sections 170(c)(4), 2055(a)(3), or 2522(a)(3))—

List in Part I each contributor whose aggregate contributions for an exclusively religious, charitable, etc., purpose were more than \$1,000 during the year. To determine the more-than-\$1,000 amount, total all of a contributor's gifts for the year (regardless of amount). For a noncash contribution, complete Part II.

All section 501(c)(7), (8), or (10) organizations that listed an exclusively religious, charitable, etc., contribution on Part I or II must also complete Part III to—

1. Provide further information on such contributions of more than \$1,000 during the year, and
2. Show the total amount received from such contributions that were for \$1,000 or less during the year.

However, if a section 501(c)(7), (8), or (10) organization did not receive a contribution of more than \$1,000 during the year for exclusively religious, charitable, etc., purposes, and consequently was not required to complete Parts I through III, it need only check the correct *Special Rules* box applicable to that organization on the front of Schedule B and enter, in the space provided, the total contributions it did receive during the year for an exclusively religious, charitable, etc., purpose.

Specific Instructions

Note: You may duplicate Parts I through III if more copies of these Parts are needed. Number each page of each Part.

Part I. In column (a), identify the first contributor listed as No. 1 and the second contributor as No. 2, etc. Number consecutively. Show the contributor's name, address, aggregate contributions for the year, and the type of contribution.

If a contribution came directly from a “contributor,” check the “Person” box. Check the “Payroll” box for indirect contributions; that is, employees' contributions forwarded by an employer. (If an employer withholds contributions from employees' pay and periodically gives them to the organization, report only the employer's name and address and the total amount given unless you know that a particular employee gave enough to be listed separately.)

For section 527 organizations that file a Form 8871, Political Organization Notice of Section 527 Status, the names and addresses of contributors that are not reported on Form 8872, Political Organization Report of Contributions and Expenditures, do not need to be reported in Part I of Schedule B if the organization paid the amount specified by I.R.C. section 527(j)(1). In this case, enter “Pd. 527(j)(1)” in column (b), instead of a name, address, and zip code; but you must enter the amount of contributions in column (c).

Part II. In column (a), show the number that corresponds to the contributor's number in Part I. Describe the noncash contribution. Note the public inspection rules discussed above.

Report on property with readily determinable market value (e.g., market quotations for securities) by listing its fair market value. For marketable securities registered and listed on a recognized securities exchange, measure market value by the average of the highest and lowest quoted selling prices (or the average between the *bona fide* bid and asked prices) on the contribution date. See Regulations section 20.2031-2 to determine the value of contributed stocks and bonds. When fair market value cannot be readily determined, use an appraised or estimated value. To determine the amount of a noncash contribution that is subject to an outstanding debt, subtract the debt from the property's fair market value.

If the organization received a partially completed Form 8283, Noncash Charitable Contributions, from a donor, complete it and return it so the donor can get a charitable contribution deduction. Keep a copy for your records.

Original (first) and successor donee (recipient) organizations must file Form 8282, Donee Information Return, if they sell, exchange, consume, or otherwise dispose of (with or without consideration) charitable deduction property (property other than money or certain publicly traded securities) within 2 years after the date the original donee received the property.

Part III. Section 501(c)(7), (8), or (10) organizations that received contributions or bequests for use exclusively for religious, charitable, etc., purposes must complete Parts I through III for those persons whose gifts totaled more than \$1,000 during the year. Show also, in the heading of Part III, total gifts to these organizations that were \$1,000 or less for the year and were for an exclusively religious, charitable, etc., purpose. Complete this information only on the first Part III page.

If an amount is set aside for an exclusively religious, charitable, etc., purpose, show in column (d) how the amount is held (e.g., whether it is commingled with amounts held for other purposes). If the organization transferred the gift to another organization, show the name and address of the transferee organization in column (e) and explain the relationship between the two organizations.

**Application for Extension of Time To File an
Exempt Organization Return**

OMB No. 1545-1709

► File a separate application for each return.

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box ► ☐
 - If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).
- Do not complete Part II unless** you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Part I Automatic 3-Month Extension of Time—Only submit original (no copies needed)

Form 990-T corporations requesting an automatic 6-month extension—check this box and complete Part I only . . . ► ☐

All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs, and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041.

Electronic Filing (e-file). Form 8868 can be filed electronically if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for corporate Form 990-T filers). However, you cannot file it electronically if you want the additional (not automatic) 3-month extension, instead you must submit the fully completed signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit www.irs.gov/efile.

| | | |
|--|--|--------------------------------|
| Type or print File by the due date for filing your return. See instructions. | Name of Exempt Organization | Employer identification number |
| | Number, street, and room or suite no. If a P.O. box, see instructions. | |
| | City, town or post office, state, and ZIP code. For a foreign address, see instructions. | |

Check type of return to be filed (file a separate application for each return):

- | | | |
|--------------------------------------|---|------------------------------------|
| <input type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation) | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |

- The books are in the care of ►

Telephone No. ► (.....) FAX No. ► (.....)

- If the organization does **not** have an office or place of business in the United States, check this box ► ☐

• If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the **whole** group, check this box ► ☐. If it is for part of the group, check this box ► ☐ and attach a list with the names and EINs of all members the extension will cover.

- 1** I request an automatic 3-month (6-months for a **Form 990-T corporation**) extension of time until _____, 20..., to file the exempt organization return for the organization named above. The extension is for the organization's return for:
- ☐ calendar year 20 ... or
 - ☐ tax year beginning _____, 20 ..., and ending _____, 20

- 2** If this tax year is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions \$ _____

b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit \$ _____

c Balance Due. Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions \$ _____

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** and check this box ☐ **Note.** Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

Part II Additional (not automatic) 3-Month Extension of Time—Must File Original and One Copy.

| | | | |
|--|--|--|--------------------------------|
| Type or print File by the extended due date for filing the return. See instructions. | Name of Exempt Organization | | Employer identification number |
| | Number, street, and room or suite no. If a P.O. box, see instructions. | | For IRS use only |
| | City, town or post office, state, and ZIP code. For a foreign address, see instructions. | | |

Check type of return to be filed (File a separate application for each return):

- | | | |
|--------------------------------------|---|------------------------------------|
| <input type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 4720 | |

STOP: Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of ☐ _____
Telephone No. ☐ (_____) _____ FAX No. ☐ (_____) _____
- If the organization does **not** have an office or place of business in the United States, check this box ☐
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the **whole** group, check this box ☐. If it is for **part** of the group, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

- 4 I request an additional 3-month extension of time until _____, 20_____.
- 5 For calendar year _____, or other tax year beginning _____, 20_____, and ending _____, 20_____.
- 6 If this tax year is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period
- 7 State in detail why you need the extension _____

- 8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions _____ \$
- b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 _____ \$
- c **Balance Due.** Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions. \$

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ☐Title ☐Date ☐**Notice to Applicant—To Be Completed by the IRS**

- ☐ We **have** approved this application. Please attach this form to the organization's return.
- ☐ We **have not** approved this application. However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions). This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return. Please attach this form to the organization's return.
- ☐ We **have not** approved this application. After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file. We are not granting a 10-day grace period.
- ☐ We **cannot consider** this application because it was filed after the extended due date of the return for which an extension was requested.
- ☐ Other _____

Director

By: _____

Date

Alternate Mailing Address — Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above.

| | |
|----------------------|---|
| Type or print | Name |
| | Number and street (include suite, room, or apt. no.) or a P.O. box number |
| | City or town, province or state, and country (including postal or ZIP code) |

**Application for Extension of Time To File an
Exempt Organization Return**

OMB No. 1545-1709

► File a separate application for each return.

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box ► ☐
 - If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form).
- Do not complete Part II unless** you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Part I Automatic 3-Month Extension of Time—Only submit original (no copies needed)

Form 990-T corporations requesting an automatic 6-month extension—check this box and complete Part I only . . . ► ☐

All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs, and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041.

Electronic Filing (e-file). Form 8868 can be filed electronically if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for corporate Form 990-T filers). However, you cannot file it electronically if you want the additional (not automatic) 3-month extension, instead you must submit the fully completed signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit www.irs.gov/efile.

| | | |
|--|--|--------------------------------|
| Type or print File by the due date for filing your return. See instructions. | Name of Exempt Organization | Employer identification number |
| | Number, street, and room or suite no. If a P.O. box, see instructions. | |
| | City, town or post office, state, and ZIP code. For a foreign address, see instructions. | |

Check type of return to be filed (file a separate application for each return):

- | | | |
|--------------------------------------|---|------------------------------------|
| <input type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation) | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |

- The books are in the care of ►

Telephone No. ► (.....) FAX No. ► (.....)

- If the organization does **not** have an office or place of business in the United States, check this box ► ☐

• If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the **whole** group, check this box ► ☐. If it is for part of the group, check this box ► ☐ and attach a list with the names and EINs of all members the extension will cover.

- 1** I request an automatic 3-month (6-months for a **Form 990-T corporation**) extension of time until _____, 20..., to file the exempt organization return for the organization named above. The extension is for the organization's return for:
- ☐ calendar year 20 ... or
 - ☐ tax year beginning _____, 20 ..., and ending _____, 20

- 2** If this tax year is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions \$ _____

b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit \$ _____

c Balance Due. Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions \$ _____

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** and check this box ☐ **Note.** Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

Part II Additional (not automatic) 3-Month Extension of Time—Must File Original and One Copy.

| | | | |
|--|--|--|--------------------------------|
| Type or print File by the extended due date for filing the return. See instructions. | Name of Exempt Organization | | Employer identification number |
| | Number, street, and room or suite no. If a P.O. box, see instructions. | | For IRS use only |
| | City, town or post office, state, and ZIP code. For a foreign address, see instructions. | | |

Check type of return to be filed (File a separate application for each return):

- | | | |
|--------------------------------------|---|------------------------------------|
| <input type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 4720 | |

STOP: Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of ☐ _____
Telephone No. ☐ (_____) _____ FAX No. ☐ (_____) _____
- If the organization does **not** have an office or place of business in the United States, check this box ☐
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the **whole** group, check this box ☐. If it is for **part** of the group, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

- 4 I request an additional 3-month extension of time until _____, 20_____.
- 5 For calendar year _____, or other tax year beginning _____, 20_____, and ending _____, 20_____.
- 6 If this tax year is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period
- 7 State in detail why you need the extension _____

- 8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions _____ \$
- b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 _____ \$
- c **Balance Due.** Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions. \$

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ☐Title ☐Date ☐**Notice to Applicant—To Be Completed by the IRS**

- ☐ We **have** approved this application. Please attach this form to the organization's return.
- ☐ We **have not** approved this application. However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions). This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return. Please attach this form to the organization's return.
- ☐ We **have not** approved this application. After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file. We are not granting a 10-day grace period.
- ☐ We **cannot consider** this application because it was filed after the extended due date of the return for which an extension was requested.
- ☐ Other _____

Director

By: _____

Date

Alternate Mailing Address — Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above.

| | |
|----------------------|---|
| Type or print | Name |
| | Number and street (include suite, room, or apt. no.) or a P.O. box number |
| | City or town, province or state, and country (including postal or ZIP code) |

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

- Effective June 11, 2003, Temporary Regulation 1.6081-9T allows organizations required to file a return on Form 990 (all 990 series forms), 1041-A, 4720, 5227, 6069, or 8870 an automatic 3-month extension of time to file (6 months for a Form 990-T corporation). To receive this automatic extension the organization must file a properly completed Form 8868 and make any tax payments required. Also, a signature and explanation of the reasons for requesting the extension are not required to get the automatic 3-month extensions. However, the rules for getting an additional 3-month (not automatic) extension remain the same.

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO or Form 8879-EO for payment instructions.

Purpose of form. Form 8868 is used by an exempt organization to request an automatic 3-month extension of time (6 months for a Form 990-T corporation) to file its return and also to apply for an additional (not automatic) 3-month extension if the original 3-month extension was not enough time. You cannot apply for both the automatic 3-month extension and the additional (not automatic) 3-month extension at the same time.

Also, the trustee of a trust required to file Form 1041-A or Form 5227 must use Form 8868 to request an extension of time to file those returns. These instructions apply to such trusts unless the context clearly requires otherwise.

Use Part I to apply for an automatic 3-month extension of time to file an organization's return, and submit the original form to the IRS (no copies are needed).

Part II is used to apply for an additional (not automatic) 3-month extension, and you must submit the original of this form and one copy to the IRS.

The automatic 3-month extension (6 months for a Form 990-T corporation) will be granted if you properly complete this form, file it, and pay any balance due on line 3c by the due date for the return for which the extension applies.

An organization will only be allowed a total extension of 6 months for a return for a tax year.

When to file. Generally, file Form 8868 by the due date of the return for which you are requesting an extension, or, in the case of an additional 3-month extension, by the extended due date of the return. When requesting an additional extension of time to file, file Form 8868 early so that if your request is denied you can still file your return on time.

Where to file. Send the application to: Internal Revenue Service Center
Ogden, UT 84201-0012.

Do not file for an extension of time by attaching Form 8868 to the exempt organization's return when it is filed.

No blanket requests. File a separate Form 8868 for each return for which you are requesting an automatic extension of time to file. This extension will apply only to the specific return checked. It does not extend the time for filing any related returns. For example, an extension of time for filing a private foundation return will not apply to the return of certain excise taxes on charities (Form 4720).

Also black lung benefit trusts, their trustees, and any disqualified persons filing Form 990-BL must each file separate Forms 8868.

Exempt Organization Group Returns.

A central organization may apply for an extension of time to file a group return. Complete and check the appropriate box and enter the Group Exemption Number (GEN) after the area titled "Check type of return to be filed." If the extension is not for all the organizations that are part of the group, you must attach a schedule to Form 8868 showing the name and employer identification number of each organization that is included in this request for an extension.

Interest. Interest will be charged on any tax not paid by the regular due date of the return from the due date until the tax is paid. It will be charged even if the organization has been granted an extension or has shown reasonable cause for not paying on time.

Late payment penalty. Generally, a penalty of 1% of any tax not paid by the due date is charged for each month or part of a month that the tax remains unpaid. The penalty cannot exceed 25% of the amount due. The penalty will not be charged if you can show reasonable cause for not paying on time. Attach a statement to your return fully explaining the reason. Do not attach the statement to Form 8868.

If you receive an extension of time to file, you will not be charged a late payment penalty if (a) the tax shown on line 3a or 8a (or the amount of tax paid by the regular due date of the return) is at least 90% of the tax shown on the return, and (b) you pay the balance due shown on the return by the extended due date.

Late filing penalty. A penalty is charged if the return is filed after the due date (including extensions) unless you can show reasonable cause for not filing on time. The penalty is 5% of the tax not paid by the regular due date for each month or part of a month that the return is late, up to a maximum of 25% of the unpaid tax. For an income tax return filed more than 60 days late, the minimum penalty is \$100 or the balance of the tax due on the return, whichever is smaller. The penalty will not be charged if you can show reasonable cause for not filing on time. Attach a statement to your return fully explaining the reason. Do not attach the statement to Form 8868.

Different late filing penalties apply to information returns. See the specific form instructions for details.

Specific Instructions

Part I—Automatic 3-Month Extension

Only complete Part I if you are applying for an automatic 3-month extension of time (6 months for a Form 990-T corporation) to file the organization's return. If the organization has already received a 3-month automatic extension of time to file and still needs more time, you may apply for an additional (not automatic) 3-month extension by completing Part II of this form.

Address. Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the exempt organization has a P.O. box, show the box number instead of the street address.

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

If the address is outside the United States or its possessions or territories, in the space for "city or town, state, and ZIP code," enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country's name.

If the organization's mailing address has changed since it filed its last return, use Form 8822, Change of Address, to notify the IRS of the change. A new address shown on Form 8868 will not update the organization's record.

Check type of return to be filed. Check the box for the form for which you are requesting an extension. Check only one box. You must file a separate Form 8868 for each return.

Line 1. The date that is entered on line 1 cannot be later than 3 months (6 months for a Form 990-T corporation) from the original due date of the return.

Line 2. Short tax year. If you checked the box for change in accounting period, you must have applied for approval to change the organization's tax year unless certain conditions have been met. See Form 1128, Application To Adopt, Change, or Retain a Tax Year, and Pub. 538, Accounting Periods and Methods, for details.

Note. All filers must complete lines 3a, b, and c, even if you are exempt from tax or do not expect to have any tax liability.

Line 3a. See the organization's tax return and its instructions to estimate the amount of tentative tax reduced by any nonrefundable credits. If you expect this amount to be zero, enter -0-.

Line 3c. Balance Due. Form 8868 does not extend the time to pay tax. To avoid interest and penalties, send the full balance due with Form 8868.

Note. Be sure to see any deposit rules that are in the instructions for the particular form you are getting an extension for to determine how payment must be made.

Part II—Additional (not automatic) 3-Month Extension

Stop! Only complete Part II if you are applying for an additional (not automatic) 3-month extension of time to file the organization's return. If you have not already filed for an automatic 3-month extension (Part I of this form) you may not file for an additional 3-month extension.

Address. Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

If the address is outside the United States or its possessions or territories, in the space for "city or town, state, and ZIP code," enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country's name.

If the organization's mailing address has changed since it filed its last return, use Form 8822, Change of Address, to notify the IRS of the change. A new address shown on Form 8868 will not update your record.

If you want the Notice To Applicant returned to an address other than the one entered here, please complete the Alternate Mailing Address area at the bottom of Part II.

Check type of return to be filed. Check the box for the form for which you are requesting an extension. Check only one box. You must file a separate Form 8868 for each return.

Line 4. The date that is entered on line 4 cannot be later than 6 months from the original due date of the return.

Line 6. Short tax year. If you checked the box for change in accounting period, you must have applied for approval to change the organization's tax year unless certain conditions have been met. See Form 1128, Application To Adopt, Change, or Retain a Tax Year, and Pub. 538, Accounting Periods and Methods, for details.

Line 7. For the IRS to grant the organization an additional 3-month extension of time for filing a return, the organization must file an application on time and an adequate explanation why the return cannot be filed by the already extended due date. Describe in detail the reasons causing the additional delay in filing the return. We cannot approve applications that give incomplete reasons, such as "illness" or "practitioner too busy," without adequate explanations.

Generally we will consider the application based on the organization's efforts to fulfill the filing requirements, rather than on the convenience of your tax preparer. But, if your preparer is not able to complete the return by the due date for reasons beyond his or her control or, in spite of reasonable efforts, the organization is not able to get professional help in time to file, the IRS will generally grant the extension.

If a request for an extension is made for no important reason but only to gain time, we will deny both the extension request and the 10-day grace period.

Caution. If an extension is granted and the IRS later determines that the statements made on this form are false and misleading, the extension is null and void. The organization will be subject to the late filing penalty explained earlier.

Note. All filers must complete lines 8a, b, and c, even if you are exempt from tax or do not expect to have any tax liability.

Line 8a. See the specific form and form instructions to estimate the amount of tentative tax reduced by any nonrefundable credits. If you expect this amount to be zero, enter -0-.

Line 8c. Balance Due. Form 8868 does not extend the time for paying tax. To avoid further interest and penalties, send the full balance due as soon as possible with Form 8868.

Note. Be sure to see any deposit rules that are in the instructions for the particular form you are getting an extension for to determine how payment must be made.

Signature. The person who signs this form may be:

- A fiduciary, trustee, or an officer representing the fiduciary or trustee of an exempt trust filing Form 990, 990-EZ, 990-BL, 990-PF, 990-T, or 8870.
- A principal officer of a corporate organization filing Form 990, 990-EZ, 990-PF, 990-T, 4720, 6069, or 8870.
- A foundation manager, trustee, or disqualified person filing Form 990-BL or 4720 for their own liability.
- An individual filing Form 6069.

- A trustee or an officer representing the trustee of a trust filing Form 1041-A or 5227.

- An attorney or certified public accountant qualified to practice before the IRS.

- A person enrolled to practice before the IRS.

- A person holding a power of attorney.

Alternate Mailing Address

If you are applying for an additional (not automatic) extension, complete the Alternate Mailing Address area only if you want a copy of the Notice To Applicant returned to an address other than shown in Part II. If this is the case, please enter the address to which the copy should be sent.

Privacy Act and Paperwork Reduction Act Notices

For Privacy Act Notices regarding extensions of forms which may be filed by individuals, see the separate instructions for those forms. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Form 8868

Part I Part II

Recordkeeping . 5 hr., 30 min. 5 hr., 58 min.

Learning about the law or the form . 6 min. -0-

Preparing and sending the form to the IRS . 11 min. 5 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send this form to this address. Instead, see *Where to file* on page 3.

Exclusion Codes

General Exceptions

- 01— Income from an activity that is not regularly carried on (section 512(a)(1))
- 02— Income from an activity in which labor is a material income-producing factor and substantially all (at least 85%) of the work is performed with unpaid labor (section 513(a)(1))
- 03— Section 501(c)(3) organization—Income from an activity carried on primarily for the convenience of the organization's members, students, patients, visitors, officers, or employees (hospital parking lot or museum cafeteria, for example) (section 513(a)(2))
- 04— Section 501(c)(4) local association of employees organized before 5/27/69—Income from the sale of work-related clothes or equipment and items normally sold through vending machines; food dispensing facilities; or snack bars for the convenience of association members at their usual places of employment (section 513(a)(2))
- 05— Income from the sale of merchandise, substantially all of which (at least 85%) was donated to the organization (section 513(a)(3))

Specific Exceptions

- 06— Section 501(c)(3), (4), or (5) organization conducting an agricultural or educational fair or exposition—Qualified public entertainment activity income (section 513(d)(2))
- 07— Section 501(c)(3), (4), (5), or (6) organization—Qualified convention and trade show activity income (section 513(d)(3))
- 08— Income from hospital services described in section 513(e)
- 09— Income from noncommercial bingo games that do not violate state or local law (section 513(f))
- 10— Income from games of chance conducted by an organization in North Dakota (section 311 of the Deficit Reduction Act of 1984, as amended)
- 11— Section 501(c)(12) organization—Qualified pole rental income (section 513(g)) and/or member income (described in section 501(c)(12)(H))
- 12— Income from the distribution of low-cost articles in connection with the solicitation of charitable contributions (section 513(h))
- 13— Income from the exchange or rental of membership or donor list with an organization eligible to receive charitable contributions by a section 501(c)(3) organization; by a war veterans' organization; or an auxiliary unit or society of, or trust or foundation for, a war veterans' post or organization (section 513(h))

Modifications and Exclusions

- 14— Dividends, interest, payments with respect to securities loans, annuities, income from notional principal contracts, loan commitment fees, and other substantially similar income from ordinary and routine investments excluded by section 512(b)(1)
- 15— Royalty income excluded by section 512(b)(2)
- 16— Real property rental income that does not depend on the income or profits derived by the person leasing the property and is excluded by section 512 (b)(3)

- 17— Rent from personal property leased with real property and incidental (10% or less) in relation to the combined income from the real and personal property (section 512(b)(3))
- 18— Gain (or loss, to the extent allowed) from the sale of investments and other non-inventory property and from certain property acquired from financial institutions that are in conservatorship or receivership (sections 512(b)(5) and 512(b)(16)(A))
- 19— Income or loss from the lapse or termination of options to buy or sell securities, or real property, and from the forfeiture of good-faith deposits for the purchase, sale, or lease of investment real property (section 512(b)(5))
- 20— Income from research for the United States; its agencies or instrumentalities; or any state or political subdivision (section 512(b)(7))
- 21— Income from research conducted by a college, university, or hospital (section 512(b)(8))
- 22— Income from research conducted by an organization whose primary activity is conducting fundamental research, the results of which are freely available to the general public (section 512(b)(9))
- 23— Income from services provided under license issued by a Federal regulatory agency and conducted by a religious order or school operated by a religious order, but only if the trade or business has been carried on by the organization since before May 27, 1959 (section 512 (b)(15))

Foreign Organizations

- 24— Foreign organizations only—Income from a trade or business NOT conducted in the United States and NOT derived from United States sources (patrons) (section 512(a)(2))

Social Clubs and VEBAs

- 25— Section 501(c)(7), (9), or (17) organization—Non-exempt function income set aside for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(3)(B)(i))
- 26— Section 501(c)(7), (9), or (17) organization—Proceeds from the sale of exempt function property that was or will be timely reinvested in similar property (section 512(a)(3)(D))
- 27— Section 501(c)(9), or (17) organization—Non-exempt function income set aside for the payment of life, sick, accident, or other benefits (section 512(a)(3)(B)(iii))

Veterans' Organizations

- 28— Section 501(c)(19) organization—Payments for life, sick, accident, or health insurance for members or their dependents that are set aside for the payment of such insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(4))
- 29— Section 501(c)(19) organization—Income from an insurance set-aside (see code 28 above) that is set aside for payment of insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (Regulations section 1.512(a)-4(b)(2))

Debt-financed Income

- 30— Income exempt from debt-financed (section 514) provisions because at least

85% of the use of the property is for the organization's exempt purposes (**Note:** *This code is only for income from the 15% or less non-exempt purpose use.*) (section 514(b)(1)(A))

- 31— Gross income from mortgaged property used in research activities described in section 512(b)(7), (8), or (9) (section 514(b)(1)(C))
- 32— Gross income from mortgaged property used in any activity described in section 513(a)(1), (2), or (3) (section 514(b)(1)(D))
- 33— Income from mortgaged property (neighborhood land) acquired for exempt purpose use within 10 years (section 514(b)(3))
- 34— Income from mortgaged property acquired by bequest or devise (applies to income received within 10 years from the date of acquisition) (section 514(c)(2)(B))
- 35— Income from mortgaged property acquired by gift where the mortgage was placed on the property more than 5 years previously and the property was held by the donor for more than 5 years (applies to income received within 10 years from the date of gift) (section 514(c)(2)(B))
- 36— Income from property received in return for the obligation to pay an annuity described in section 514(c)(5)
- 37— Income from mortgaged property that provides housing to low and moderate income persons to the extent the mortgage is insured by the Federal Housing Administration (section 514(c)(6)) (**Note:** *In many cases, this would be exempt function income reportable in column (E). It would not be so in the case of a section 501(c)(5) or (6) organization, for example, that acquired the housing as an investment or as a charitable activity.*)
- 38— Income from mortgaged real property owned by: a school described in section 170(b)(1)(A)(ii); a section 509(a)(3) affiliated support organization of such a school; a section 501(c)(25) organization, or by a partnership in which any of the above organizations owns an interest if the requirements of section 514(c)(9)(B)(vi) are met (section 514(c)(9))

Special Rules

- 39— Section 501(c)(5) organization—Farm income used to finance the operation and maintenance of a retirement home, hospital, or similar facility operated by the organization for its members on property adjacent to the farm land (section 1951(b)(8)(B) of Public Law 94-455)
- 40— Annual dues not exceeding \$127 (subject to inflation) paid to a section 501(c)(5) agricultural or horticultural organization (section 512(d))

Trade or Business

- 41— Gross income from an unrelated activity that is regularly carried on but, in light of continuous losses sustained over a number of tax periods, cannot be regarded as being conducted with the motive to make a profit (not a trade or business)

Other

- 42— Receipt of qualified sponsorship payments described in section 513(i)
- 43— Exclusion of any gain or loss from the qualified sale, exchange, or other disposition of any qualifying brownfield property (section 512(b)(18)(19))

Specific Instructions for Form 990-EZ

See also the *General Instructions* that apply to both Form 990 and Form 990-EZ.

| Contents | Page |
|--|------|
| Completing the Heading of Form 990-EZ . . . | 37 |
| Part I—Revenue, Expenses, and Changes in Net Assets | 38 |
| Part II—Balance Sheets | 41 |
| Part III—Statement of Program Service Accomplishments | 42 |
| Part IV—List of Officers, Directors, Trustees, and Key Employees | 42 |
| Part V—Other Information | 42 |

Completing the Heading of Form 990-EZ

The instructions that follow are keyed to items in the heading for Form 990-EZ.

Item A. Accounting Period

File the 2005 return for calendar year 2005 and fiscal years that begin in 2005 and end in 2006. For a fiscal year return, fill in the tax year space at the top of page 1.

Item B. Checkboxes

Address change, name change, and initial return. Check the appropriate box if the organization changed its address since it filed its previous return, or if this is the first time the organization is filing either a Form 990 or a Form 990-EZ.

If the tax-exempt organization has changed its name, attach the following documents:

| IF the organization is . . . | THEN attach . . . |
|------------------------------|--|
| A corporation | An amendment to the articles of incorporation with proof of filing with the state of incorporation. |
| A trust | An amendment to the trust agreement signed by the trustee. |
| An association | An amendment to the articles of association, constitution, bylaws, or other organizing document, along with signatures of at least two officers/members. |

Final return and amended return.

Organizations should file final returns when they cease to be section 501(a) organizations or section 527 organizations; for example, when they cease operations and dissolve. See the instructions for line 36 that discuss liquidations, dissolutions, terminations, or substantial contractions.

If the return is an amended return, check the box. There are amended return requirements when filing with a state. See *General Instructions E and J*.

Application pending. If the organization's application for exemption is pending, check this box and complete the return.

Item C. Name and Address

If we mailed the organization a Form 990 Package with a preaddressed mailing label,

attach the label in the name and address space on the organization's return. Using the label helps us avoid errors in processing the return. If any information on the label is wrong, draw a line through that part and correct it.

If the organization operates under a name different from its legal name, give the legal name of the organization but identify its alternate name, after the legal name, by writing "aka" (also known as) and the alternate name of the organization. However, if the organization has changed its name, follow the instructions for *Name change in Item B—Checkboxes*.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line C/O followed by the third party's name and street address or P.O. box.

For foreign addresses, enter information in the following order: City, province or state, and the name of the country. Follow the foreign country's practice in placing the postal code in the address. Please do not abbreviate the country name.

If a change of address occurs after the return is filed, use Form 8822 to notify the IRS of the new address.

Item D—Employer Identification Number

The organization should have only one federal employer identification number (EIN). If the organization has more than one EIN and has not been advised which to use, notify the Internal Revenue Service Center, Ogden, UT 84201-0027. State what numbers the organization has, the name and address to which each number was assigned, and the address of its principal office. The IRS will advise the organization which number to use.



A section 501(c)(9) voluntary employees' beneficiary association must use its own EIN and not the EIN of its sponsor.

Item E—Telephone Number

Enter a telephone number of the organization that members of the public and government regulators may use during normal business hours to obtain information about the organization's finances and activities. If the organization does not have a telephone number, enter the telephone number of an organization official who can provide such information.

Item F—Group Exemption Number

The group exemption number (GEN) is a number assigned by the IRS to the central/parent organization of a group that has a group ruling.

If the organization is covered by a group exemption letter, enter the four-digit group exemption number. Contact the central/parent organization if you are unsure of the GEN assigned.

Item G—Accounting Method

Indicate the method of accounting used in preparing this return. See *General Instruction G*.

Item H—Schedule B (Form 990, 990-EZ, or 990-PF)

Whether or not the organization enters any amount on line 1 of Form 990-EZ, the

organization must either check the box in item H or attach Schedule B (Form 990, 990-EZ, or 990-PF). Failure to either check the box in item H or file Schedule B (Form 990, 990-EZ, or 990-PF) will result in a determination that the return is incomplete. See the Instructions for Schedule B (Form 990, 990-EZ, or 990-PF), for more information.



Contributor *includes individuals, fiduciaries, partnerships, corporations, associations, trusts, and exempt organizations.*

Guidelines for Meeting the Requirements of Schedule B (Form 990, 990-EZ, or 990-PF)

Section 501(c)(3) Org. Meeting the 1/3 Support Test of 170(b)(1)(A)

If A section 501(c)(3) organization that met the 1/3 support test of the regulations under 509(a)(1)/170(b)(1)(A) did not receive a contribution of the greater of \$5,000 or 2% of the amount on line 1 of Form 990-EZ, from any one contributor,*

Then The organization should check the box in item H to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

Otherwise Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

Section 501(c)(7), (8), or (10) Organizations

If A section 501(c)(7), (8), or (10) organization did not receive any contribution or bequest for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals (and did not receive any noncharitable contributions of \$5,000 or more as described below under **general rule**),

Then The organization should check the box in item H to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

Otherwise Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

All Other Form 990 or Form 990-EZ Organizations (General rule)

If The organization did not show as part of line 1 of the Form 990-EZ, a contribution of \$5,000 or more from any one contributor,*

Then The organization should check the box in item H to certify that it is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

Otherwise Complete and attach Schedule B (Form 990, 990-EZ, or 990-PF).

* Total a contributor's gifts of \$1,000 or more to determine if a contributor gave \$5,000 or more. Do not include smaller gifts.

Item I—Website

Show the organization's website address if a website is available. Otherwise, write "N/A" (not applicable). Consider adding your email address to your website.

Item J— Organization Type

If the organization is exempt under section 501(c), check the applicable box and insert, within the parentheses, the number that identifies the type of section 501(c) organization the filer is. See the chart in *General Instruction C*. The term section 501(c)(3) includes organizations exempt under sections 501(e), (f), (k), and (n). Check the box if the organization is a section 527 political organization. See *General Instruction U*.

If the organization is a section 4947(a)(1) nonexempt charitable trust, check the applicable box. Note also the discussion regarding Schedule A (Form 990 or 990-EZ) and Form 1041 in *General Instruction D* and the instructions for line 43.

Item K—Gross Receipts of \$25,000 or Less

Check this box if the organization's gross receipts are normally not more than \$25,000 but the organization chooses to file a return. If the organization chooses to file a return, be sure to file a complete return. See *General Instruction B* for a discussion on gross receipts and *General Instruction W* for a discussion on a complete return.

Item L—Calculating Gross Receipts

Only those organizations with gross receipts of less than \$100,000 and total assets of less than \$250,000 at the end of the year can use the Form 990-EZ. If the organization does not meet these requirements, it must file Form 990. The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses. See the gross receipts discussion in *General Instruction B*.

Part I—Revenue, Expenses, and Changes in Net Assets or Fund Balances

All organizations filing Form 990-EZ with the IRS or any state must complete Part I. Some states that accept Form 990-EZ in place of their own forms may require additional information. See *General Instruction E*.

Line 1. Contributions, Gifts, Grants, and Similar Amounts Received

A. What is included on line 1

- Report amounts received as voluntary contributions; (for example, payments, or the part of any payment, for which the payer (donor) does not receive full retail value (fair market value) from the recipient (donee) organization).
- Enter the gross amounts of contributions, gifts, grants, and bequests that the organization received from individuals, trusts, corporations, estates, affiliates, foundations, public charities, and other exempt organizations, or raised by an outside professional fundraiser.
- Report the value of noncash contributions at the time of the donation. For example, report the gross value of a donated car as of the time the car was received as a donation.
- Report all related expenses on lines 12 through 16. You must show on line 13 professional fundraising fees relating to the gross amounts of contributions collected in the charity's name by fundraisers.

Reporting for line 1, in accordance with SFAS 116, Accounting for Contributions Received and Contributions Made, is acceptable for Form 990-EZ, or Form 990, purposes, but not required by the IRS. However, see *General Instruction E*.

An organization that receives a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 1. Accruals of present value increments to the unpaid grant should also be reported on line 1 in future years.

1. Contributions can arise from special events when an excess payment is received for items offered. Fundraising activities relate to soliciting and receiving contributions. However, special fundraising activities such as dinners, door-to-door sales of merchandise, carnivals, and bingo games can produce both contributions and revenue. Report as a contribution, both on line 1 and on line 6a (within the parentheses), any amount received through such a special event that is greater than the fair market value (retail value) of the merchandise or services furnished by the organization to the contributor.

This situation usually occurs when organizations seek support from the public through solicitation programs that are in part special events or activities and are in part solicitations for contributions. The primary purpose of such solicitations is to receive contributions and not to sell the merchandise at its retail value even though this might produce a profit.

Example. An organization announces that anyone who contributes at least \$40 to the organization can choose to receive a book worth \$16 retail value. A person who gives \$40, and who chooses the book, is really purchasing the book for \$16 and also making a contribution of \$24. The contribution of \$24, which is the difference between the buyer's payment and the \$16 retail value of the book, would be reported on line 1 and again on line 6a (within the parentheses). The revenue received (\$16 retail value of the book) would be reported in the right-hand column on line 6a. Any expenses directly relating to the sale of the book would be reported on line 6b. Any fundraising expenses relating to the contribution of \$24 would be reported on lines 12 through 16.

If a contributor gives more than \$40, that person would be making a larger contribution, the difference between the book's retail value of \$16 and the amount actually given. See also the instructions for line 6 and Pub. 526.



CAUTION At the time of any solicitation or payment, organizations that are eligible to receive tax-deductible contributions should advise patrons of the amount deductible for federal tax purposes. See *General Instruction L*.

2. Contributions can arise from special events when items of only nominal value are given or offered. If an organization offers goods or services of only nominal value through a special event, or distributes free, unordered, low-cost items to patrons, report the entire amount received for such benefits as a contribution on line 1. Report all related expenses on lines 12 through 16.

See *General Instruction L* for a definition of benefits that have a nominal or insubstantial value.

3. Section 501(c)(3) organizations. These organizations must compute the amounts of revenue and contributions received from special events according to the above instructions when preparing their *Support Schedule* in Part IV-A of Schedule A (Form 990 or 990-EZ).

4. Grants equivalent to contributions. Grants made to encourage an organization receiving the grant to carry on programs or activities that further the grant recipient's

exempt purposes are grants that are equivalent to contributions. Report them on line 1. The grantor may specify which of the recipient's activities the grant may be used for, such as an adoption program or a disaster relief project.

A grant is still equivalent to a contribution if the grant recipient performs a service, or produces a work product, that benefits the grantor incidentally (but see line 1, instruction B1, below).

5. Contributions received through other fundraising organizations. Contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies (such as United Way) are included on line 1.

6. Contributions received from associated organizations. Include on line 1 amounts contributed by other organizations closely associated with the reporting organization. This includes contributions received from a parent organization, subordinate, or another organization having the same parent.

7. Contributions from a commercial co-venture. Include amounts contributed by a commercial co-venture on line 1. These contributions are amounts received by the organization for allowing an outside organization (donor) or individual to use the recipient organization's name in a sales promotion campaign.

8. Contributions or grants from governmental units. A grant, or other payment from a governmental unit, is treated as a grant equivalent to a contribution if its primary purpose is to enable the recipient to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor (even if the public pays part of the expense of providing the service or facility). (See also line 1, instruction B1, below.)

9. Contributions in the form of membership dues. Include on line 1 membership dues and assessments to the extent they are contributions and not payments for benefits received. (See line 3, instruction C1.)

B. What is not included on line 1

1. Grants that are payments for services are not contributions. A grant is a payment for services, and not a contribution, when the terms of the grant provide the grantor with a specific service, facility, or product, rather than providing a benefit to the general public or that part of the public served by the grant recipient. The recipient organization would report such a grant as income on line 2 (program service revenue).

2. Donations of services. Do not include the value of services donated to the organization, or items such as the free use of materials, equipment, or facilities, as contributions on line 1. However, for the optional reporting of such amounts, see the instruction for donated services in Part III.

Any unreimbursed expenses of officers, employees, or volunteers do not belong on the Form 990 or Form 990-EZ. See the instructions for charitable contributions and employee business expenses in Pub. 526 and 463, respectively.

3. Section 501(c)(9), (17), and (18) organizations. These organizations provide participants with life, sickness, accident, welfare and unemployment insurance, pension(s), or similar benefits, or a combination of these benefits. When such an organization receives payments from participants, or their employers, to provide these benefits, report the payments on line 2

as program service revenue, rather than on line 1 as contributions.

C. How to value noncash contributions

See *General Instruction L* and Schedule B (Form 990, 990-EZ, or 990-PF).

D. Schedule of contributors

Attach Schedule B (Form 990, 990-EZ, or 990-PF). See *General Instruction L* and the *Specific Instructions for Completing the Heading of Form 990-EZ*, Item H.

Line 2—Program Service Revenue Including Medicare, Medicaid Payments, and Government Fees and Contracts

Enter the total program service revenue (exempt function income). Program services are primarily those that form the basis of an organization's exemption from tax.

1. Examples. A clinic would include on line 2 all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), laboratory fees, and related charges for services.

Program service revenue also includes tuition received by a school; revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; and registration fees received in connection with a meeting or convention.

2. Program-related investment income. Program service revenue also includes income from program-related investments. These investments are made primarily to accomplish an exempt purpose of the investing organization rather than to produce income. Examples are scholarship loans and low-interest loans to charitable organizations, indigents, or victims of a disaster. Rental income received from an exempt function is another example of program-related investment income. See also the instructions for line 4.

3. Unrelated trade or business activities. Unrelated trade or business activities (not including any special events or activities) that generate fees for services may also be program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

4. Government fees and contracts. Program service revenue includes income earned by the organization for providing a government agency with a service, facility, or product that benefited that government agency directly rather than benefiting the public as a whole. See line 1, instruction A8, for reporting guidelines when payments are received from a government agency for providing a service, facility, or product for the primary benefit of the general public.

Line 3—Membership Dues and Assessments

Enter members' and affiliates' dues and assessments that are not contributions. See also *General Instruction L*.

A. What is included on line 3

1. Dues and assessments received that compare reasonably with the benefits of membership. When the organization receives dues and assessments that compare

reasonably with membership benefits, report such dues and assessments on line 3.

2. Organizations that generally match dues and benefits. Organizations described in section 501(c)(5), (6), or (7) generally provide benefits with a reasonable relationship to dues, although benefits to members may be indirect.

B. Examples of membership benefits

These include subscriptions to publications; newsletters (other than one about the organization's activities only); free or reduced-rate admissions to events the organization sponsors; use of its facilities; and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, disregard such intangible benefits as the right to attend meetings, vote, or hold office in the organization, and the distinction of being a member of the organization.

C. What is not included on line 3

1. Dues or assessments received that exceed the value of available membership benefits. Whether or not membership benefits are used, dues received by an organization, to the extent they exceed the monetary value of the membership benefits available to the dues payer, are a contribution that should be reported on line 1.

2. Dues received primarily for the organization's support. If a member pays dues primarily to support the organization's activities, and not to obtain benefits of more than nominal monetary value, those dues are a contribution to the organization includible on line 1.

Line 4—Investment Income

A. What is included on line 4

1. Interest on savings and temporary cash investments. Include the amount of interest received from interest-bearing checking accounts, savings, and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than 1 year. So-called dividends or earnings received from mutual savings banks, money market funds, etc., are actually interest and should be included on this line.

2. Dividends and interest from securities. Include the amount of dividend and interest income from equity and debt securities (stocks and bonds) on this line. Include amounts received from payments on securities loans, as defined in section 512(a)(5).

3. Gross rents. Include gross rental income received during the year from investment property.

4. Other investment income. Include, for example, royalty income from mineral interests owned by the organization.

B. What is not included on line 4

1. Capital gains dividends and unrealized gains and losses. Do not include on this line any capital gains dividends. They are reported on line 5. Also do not include unrealized gains and losses on investments carried at market value. See the instructions for line 20.

2. Exempt function revenue (program service). Do not include on line 4 amounts that represent income from an exempt function (program service). Report these amounts on line 2 as program service revenue. Report expenses related to this income on lines 12 through 16.

An organization whose exempt purpose is to provide low-rental housing to persons with low income receives exempt function income from such rentals. An organization receives exempt function income if it rents or sublets rental space to a tenant whose activities are related to the reporting organization's exempt purpose. Exempt function income also arises when an organization rents to an unaffiliated exempt organization at less than fair rental value for the purpose of helping that unaffiliated organization carry out its exempt purpose. Report rental income received in these instances on line 2 and not on line 4.

Only for purposes of completing this return, treat income from renting property to affiliated exempt organizations as exempt function income and include such income on line 2 as program service revenue.

Lines 5a through 5c—Gains (or Losses) From Sale of Assets Other Than Inventory

A. What is included on line 5

Report on line 5a all sales of securities and sales of all other types of investments (such as real estate, royalty interests, or partnership interests) as well as sales of all other noninventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities).

Total the cost or other basis (less depreciation) and selling expenses and enter the result on line 5b. On line 5c, enter the net gain or loss. Report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts on lines 5a and 5c. Indicate the source on the schedule described below.

For this return, you may use the more convenient way to figure the organization's gain or loss from sales of securities by comparing the sales price with the average-cost basis of the particular security sold. However, generally, the average-cost basis is not used to figure the gain or loss from sales of securities reportable on Form 990-T.

B. What is not included on line 5

Do not include on line 5 any unrealized gains or losses on securities that are carried in the books of account at market value. See the instructions for line 20.

C. Attached schedule

1. Nonpublicly traded securities and noninventory items. Attach a schedule to show the sale or exchange of nonpublicly traded securities and the sale or exchange of other assets that are not inventory items. The schedule should show security transactions separately from the sale of other assets. Show for these assets:

- Date acquired and how acquired,
- Date sold and to whom sold,
- Gross sales price,
- Cost, other basis, or if donated, value at time acquired (state which),
- Expense of sale and cost of improvements made after acquisition, and
- Depreciation since acquisition, if depreciable property.

2. Publicly traded securities. For sales of publicly traded securities through a broker, you may total the gross sales price, the cost or other basis, and the expenses of sale, and report lump-sum figures in place of providing the detailed reporting required in the above paragraph.

Publicly traded securities include common and preferred stocks, bonds (including governmental obligations), and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an established exchange and for which market quotations are published or otherwise readily available.

Lines 6a through 6c—Special Events and Activities

On the appropriate line, enter the gross revenue, expenses, and net income (or loss) from all special events and activities, such as dinners, dances, carnivals, raffles, bingo games, other gaming activities, and door-to-door sales of merchandise.

These activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds that are other than contributions to finance the organization's exempt activities.

This is done by offering goods or services that have more than a nominal value (compared to the price charged) for a payment that is more than the direct cost of those goods or services. See line 1 instructions A1 and A2 for a discussion on contributions reportable on line 1 and revenue reportable on line 6. See also *General Instruction L*.

Calling any required payment a donation or contribution on tickets, advertising, or solicitation materials does not change how these payments should be reported on Form 990-EZ.

The gross revenue from gaming activities and other special events must be reported in the right-hand column on line 6a without reduction for cash or noncash prizes, cost of goods sold, compensation, fees, or other expenses. Be sure to check the box for gaming if the organization conducted directly, or through the promoter, any amount of gaming during the year.

Gaming includes (but is not limited to): bingo, pull tabs, instant bingo raffles, scratch-offs, charitable gaming tickets, break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada Club tickets, casino nights, Las Vegas nights and coin-operated gambling devices. Coin-operated gambling devices include slot machines, electronic video slot or line games, video poker, video blackjack, video keno, video bingo, video pull tab games, etc.

A. What is included on line 6

1. Gross revenue/contributions. When an organization receives payments for goods or services offered through a special event, enter:

- As gross revenue, on line 6a (in the right-hand column), the retail value of the goods or services,
- As a contribution, on both line 1 and line 6a (within the parentheses), any amount received that exceeds the retail value of the goods or services given.

Example. At a special event, an organization received \$100 in gross receipts for goods valued at \$40. The organization entered gross revenue of \$40 on line 6a and entered a contribution of \$60 on both line 1 and within the parentheses on line 6a. The contribution was the difference between the gross revenue of \$40 and the gross receipts of \$100.

2. Raffles or lotteries. Report as revenue, on line 6a, any amount received from raffles or lotteries that require payment of a specified minimum amount for each entry, unless the prizes awarded have only nominal value. See line 6, instruction B1 and B2, below.

3. Direct expenses. Report on line 6b only the direct expenses attributable to the goods or services the buyer receives from a special event. If you include an expense on line 6b, do not report it again on line 7b. Report cost of goods related to the sale of inventory on line 7b. Fundraising expenses attributable to contributions reported on line 6a (within the parentheses), and also on line 1, are reportable on lines 12 through 16.

B. What is not included on line 6

1. Sales or gifts of goods or services of only nominal value. If the goods or services offered at the special event have only nominal value, include all of the receipts as contributions on line 1 and all of the related expenses on lines 12 through 16. See *General Instruction L* for a description of nominal or insubstantial benefits.

2. Sweepstakes, raffles, and lotteries. Report as a contribution, on line 1, the proceeds of solicitation campaigns in which the names of contributors and other respondents are entered in a drawing for prizes.

When a minimum payment is required for each raffle or lottery entry and prizes of only nominal value are awarded, report any amount received as a contribution. Report the related expenses on lines 12 through 16.

3. Activities that generate only contributions are not special events. An activity that generates only contributions, such as a solicitation campaign by mail, is not a special event. Any amount received should be included on line 1 as a contribution. Related expenses are reportable on lines 12 through 16.

C. Attached schedule

Attach a schedule listing the three largest fundraising events, as measured by gross receipts. If gaming is conducted, treat different types of gaming separately to determine the three largest events. For example, treat bingo and pull tabs as separate fundraising events. Describe each of these events by listing the type of event and the number of occasions that the event occurred and show (for each event):

- Gross receipts,
- Contributions included in gross receipts (see line 6, instruction A1, above),
- Gross revenue (gross receipts less contributions),
- Direct expenses, and
- Net income or (loss) (gross revenue less direct expenses).

For gaming, direct expenses include: cash and noncash prizes, compensation to bingo callers and workers, rental of gaming equipment, cost of bingo supplies such as pull tab deals, etc.

Furnish the same information, in total figures, for all other special events held that are not among the largest three. Indicate the type and number of the events not listed individually (for example, three dances and two raffles).

An example of this schedule of special events might appear in columnar form as follows:

| Special Events (and the number of occasions that the event occurred): | (A) # | (B) # | (C) # | All Other | Total |
|---|----------|----------|----------|--------------|-------|
| Gross Receipts | \$xx | \$xx | \$xx | \$xx | \$xx |
| Less: Contributions | xx | xx | xx | xx | xx |
| Gross Revenue | xx | xx | xx | xx | xx |
| Less: Direct Expenses | xx | xx | xx | xx | xx |
| Net Income or (loss) | \$xx | \$xx | \$xx | \$xx | \$xx |

If you use this format, report the total for Contributions on line 1 of Form 990-EZ and on line 6a (within the parentheses). Report the totals for *Gross Revenue*, in the right-hand column, on line 6a; *Direct Expenses* on line 6b; and *Net Income or (loss)* on line 6c.

Lines 7a through 7c—Gross Sales of Inventory

1. Sales of inventory. Include on line 7a the gross sales (less returns and allowances) of inventory items, whether the sales activity is an exempt function or an unrelated trade or business. Include all inventory sales except sales of goods at special events, which are reportable on line 6.

2. Cost of goods sold. On line 7b, report the cost of goods sold related to sales of such inventory. The usual items included in cost of goods sold are direct and indirect labor, materials and supplies consumed, freight-in, and a proportion of overhead expenses. Marketing and distribution expenses are not includible in cost of goods sold. Include those expenses on lines 12 through 16.

3. Investments. Do not include on line 7 sales of investments on which the organization expected to profit by appreciation and sale. Report sales of these investments on line 5.

Line 8—Other Revenue

Enter the total income from all sources not covered by lines 1 through 7. Examples of types of income includible on line 8 are interest on notes receivable not held as investments or as program-related investments (defined in the line 2 instructions); interest on loans to officers, directors, trustees, key employees, and other employees; and royalties that are not investment income or program service revenue.

Line 10—Grants and Similar Amounts Paid

Reporting for line 10 in accordance with SFAS 116, is acceptable for Form 990-EZ purposes, but not required by IRS. However, see *General Instruction E*.


An organization that makes a grant to be paid in future years should, according to SFAS 116, report the grant's present value on line 10. Accruals of present value increments to the unpaid grant should also be reported on line 10 in future years.

A. What is included on line 10

Enter the amount of actual grants and similar amounts paid to individuals and organizations selected by the filing organization. Include scholarship, fellowship, and research grants to individuals.

1. Specific assistance to individuals. Include on this line the amount of payments to, or for the benefit of, particular clients or patients, including assistance by others at the expense of the filing organization.

2. Payments, voluntary awards, or grants to affiliates. Include on line 10 certain types of payments to organizations affiliated with (closely related to) the reporting organization. These payments include predetermined quota support and dues payments by local organizations to their state or national organizations.

 If the organization uses Form 990-EZ for state reporting purposes, be sure to distinguish between payments to affiliates and awards and grants. See General Instruction E.

B. What is not included on line 10

1. Administrative expenses. Do not include on this line expenses made in selecting

recipients or monitoring compliance with the terms of a grant or award. Enter those expenses on lines 12 through 16.

2. Purchases of goods or services from affiliates. Do not report the cost of goods or services purchased from affiliates on line 10. Report these as expenses on lines 12 through 16.

3. Membership dues paid to another organization. Report membership dues that the organization pays to another organization for general membership benefits, such as regular services, publications, and materials on line 16, as *Other expenses*.

C. Attached schedule

Attach a schedule to explain the amounts reported on line 10. Show on this schedule:

- Each class of activity,
- The grantee's name and address,
- The amount given, and
- The relationship of the grantee (in the case of grants to individuals) if the relationship is by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, etc.

Any grants reported on line 10 that were approved during the year, but not paid by the due date for filing Form 990-EZ (including extensions), must be identified and listed separately in the line 10 schedule.

Give the name and address of each affiliate that received any payment reported on line 10. Specify both the amount and purpose of these payments.

Classify activities on this schedule in more detail than by using such broad terms as charitable, educational, religious, or scientific. For example, identify payments to affiliates; payments for nursing services; fellowships; or payments for food, shelter, or medical services for indigents or disaster victims. For payments to indigent families, do not identify the individuals.

If an organization gives property other than cash and measures an award or grant by the property's fair market value, also show on this schedule:

- A description of the property,
- The book value of the property,
- How you determined the book value,
- How you determined the fair market value, and
- The date of the gift.

Any difference between a property's fair market value and book value should be recorded in the organization's books of account and on line 20.

Colleges, universities, and primary and secondary schools are not required to list the names of individuals who were provided scholarships or other financial assistance whether they are the recipients of Federal grant money or not. Instead, these organizations must (a) group each type of financial aid provided; (b) indicate the number of individuals who received the aid; and (c) specify the aggregate dollar amount.

Line 11—Benefits Paid To or For Members

For an organization that gives benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), enter the amounts paid for: (a) death, sickness, hospitalization, or disability benefits; (b) unemployment compensation benefits; and (c) other benefits. Do not include, on this line, the cost of employment-related

benefits the organization gives its officers and employees. Report them on line 12.

Line 12—Salaries, Other Compensation, and Employee Benefits

Enter the total salaries and wages paid to all employees and the fees paid to officers, directors, and trustees. Include the total of the employer's share of the contributions the organization paid to qualified and nonqualified pension plans and the employer's share of contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan. Complete the Form 5500 return if you are required to file it.

Also include in the total the amount of federal, state, and local payroll taxes for the year that are imposed on the organization as an employer. This includes the employer's share of social security and Medicare taxes, Federal unemployment tax (FUTA), state unemployment compensation tax, and other state and local payroll taxes. Taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and state income taxes and the employees' share of social security and Medicare taxes) are part of the employees' salaries included on line 12. Report expenses paid or incurred for employee events such as a picnic or holiday party on this line.

Line 13—Professional Fees and Other Payments to Independent Contractors

Enter the total amount of legal, accounting, auditing, other professional fees (such as fees for fundraising or investment services) and related expenses charged by outside firms and individuals who are not employees of the organization. Do not include any penalties, fines, or judgments imposed against the organization as a result of legal proceedings. Report and identify those expenses on line 16. Report fees paid to directors and trustees on line 12.

Line 14—Occupancy, Rent, Utilities, and Maintenance

Enter the total amount paid or incurred for the use of office space or other facilities, heat, light, power, and other utilities, outside janitorial services, mortgage interest, real estate taxes and property insurance attributable to rental property, and similar expenses. Do not subtract from rental expenses reported on line 14 any rental income received from renting or subletting rented space. See the instructions for lines 2 and 4 to determine whether such income is reportable as exempt function income or investment income. However, report on line 14 any rental expenses for rental income reported on lines 2 and 4. If the organization records depreciation on property it occupies, enter the total for the year.

For an explanation of acceptable methods for computing depreciation, see Pub. 946.

Line 15—Printing, Publications, Postage, and Shipping

Enter the printing and related costs of producing the reporting organization's own newsletters, leaflets, films, and other informational materials on this line. Include the costs of outside mailing services on this line. Also include the cost of any purchased publications as well as postage and shipping costs not reportable on lines 5b, 6b, or 7b. Do not include any expenses, such as salaries, for which a separate line is provided.

Line 16—Other Expenses

Include here such expenses as penalties, fines, and judgments; unrelated business income taxes; insurance and real estate taxes not attributable to rental property or reported as occupancy expenses; depreciation on investment property; travel and transportation costs; interest expense; and expenses for conferences, conventions, and meetings.

Some states that accept Form 990-EZ in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized. See *General Instruction E*.

Line 18—Excess or (Deficit) for the Year

Enter the difference between lines 9 and 17. If line 17 is more than line 9, enter the difference in parentheses.

Line 19—Net Assets or Fund Balances at Beginning of Year

Enter the amount from the prior year's balance sheet or from Form 5500 or an approved DOL form if *General Instruction F* applies.

Line 20—Other Changes in Net Assets or Fund Balances

Attach a statement explaining any changes in net assets or fund balances between the beginning and end of the year that are not accounted for by the amount on line 18. Amounts to report here include adjustments of earlier years' activity; unrealized gains and losses on investments carried at market value; and any difference between fair market value and book value of property given as an award or grant. See *General Instruction G* regarding the reporting of a section 481(a) adjustment to conform to SFAS 116.

Part II—Balance Sheets

All organizations, except those that meet one of the exceptions in *General Instruction F*, must complete columns (A) and (B) of Part II of the return and may not submit a substitute balance sheet. Failure to complete Part II may result in penalties for filing an incomplete return. If there is no amount to report in column (A), *Beginning of year*, put a zero in that column. See *General Instruction K*.

Some states require more information. See *General Instruction E* for more information about completing a Form 990-EZ to be filed with any state or local government agency.

Line 22—Cash, Savings, and Investments

Include all interest and non-interest bearing accounts such as petty cash funds, checking accounts, savings accounts, money market funds, commercial paper, certificates of deposit, U.S. Treasury bills, and other government obligations. Also include the book value of securities held as investments, and all other investment holdings including land and buildings held for investment. Report the income from these investments on line 4.

Line 23—Land and Buildings

Enter the book value (cost or other basis less accumulated depreciation) of all land and buildings owned by the organization and not held for investment.

Line 24—Other Assets

Enter the total of other assets along with a description of those assets. Amounts to include here are (among others) receivable accounts, inventories, and prepaid expenses.

Line 25—Total Assets

Enter the amount of total assets. If the end-of-year total assets entered in column (B) are \$250,000 or more, Form 990 must be filed instead of Form 990-EZ.

Line 27—Net Assets or Fund Balances

Subtract line 26 (total liabilities) from line 25 (total assets) to determine net assets. Enter this net asset amount on line 27. The amount entered in column (B) should agree with the net asset or fund balance amount on line 21.

States that accept Form 990-EZ as their basic report form may require a separate statement of changes in net assets. See *General Instruction E*.

Part III—Statement of Program Service Accomplishments

A program service is a major (usually ongoing) objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters.

| Step | Action |
|------|--|
| 1 | State the organization's primary exempt purpose. |
| 2 | <p>All organizations must describe their exempt purpose achievements for each of their four largest program services (as measured by total expenses incurred). If there were four or fewer of such activities, describe each program service activity.</p> <ul style="list-style-type: none">Describe program service accomplishments through measurements such as clients served, days of care, therapy sessions, or publications issued.Describe the activity's objective, for both this time period and the longer-term goal, if the output is intangible, such as in a research activity.Give reasonable estimates for any statistical information if exact figures are not readily available. Indicate that this information is estimated.Be clear, concise, and complete in your description. Avoid adding an attachment. |
| 3 | <p>If part of the total expenses of any program service consists of grants reported on line 10, enter the amount of grants in the space provided and include the grants in the <i>Expenses</i> column. If the amount of grants entered includes foreign grants check the box to the left of the entry space for <i>Program Services Expenses</i>.</p> <ul style="list-style-type: none">Section 501(c)(3) and (4) organizations, and section 4947(a)(1) nonexempt charitable trusts, must show the amount of grants and allocations to others and must enter the total expenses for each program service reported.For all other organizations, completing the <i>Program Services Expenses</i> column (and the <i>Grants</i> entry) in Part III is optional. |
| 4 | Attach a schedule that lists the organization's other program services. |

- The detailed information required for the four largest services is not necessary for this schedule.
- However, section 501(c)(3) and (4) organizations, and section 4947(a)(1) nonexempt charitable trusts must show the expenses attributable to their program services.

- 5 The organization may show the amount of any donated services, or use of materials, equipment, or facilities it received or utilized in connection with a specific program service.
- Disclose the applicable amounts of any donated services, etc., on the lines for the narrative description of the appropriate program service.
 - Do not include these amounts in the expense column in Part III.
 - See the instructions for line 1, B2.

Part IV—List of Officers, Directors, Trustees, and Key Employees

List each person who was an officer, director, trustee, or key employee (defined below) of the organization at any time during the year even if they did not receive any compensation from the organization.

Enter a zero in columns (B), (C), (D), or (E) if no hours were entered in column (B) and no compensation, contributions, expenses, and other allowances were paid during the reporting year, or deferred for payment to a future accounting period.

Aid in the processing of your return by grouping together, preferably at the end of your list, those who received no compensation. Be careful not to repeat names.

Give the preferred address at which officers, etc., want the Internal Revenue Service to contact them.

Use an attachment if there are more than four persons to list in Part IV.

Show all forms of cash and noncash compensation received by each listed officer, etc., whether paid currently or deferred.

If you pay any other person, such as a management services company, for the services provided by any of your officers, directors, trustees, or key employees, report the compensation and other items in Part IV as if you had paid the officers, etc., directly. Also, see Ann. 2001-33, 2001-17 I.R.B. 1137.

A failure to fully complete Part IV can subject both the organization and the individuals responsible for such failure to penalties for filing an incomplete return. See *General Instruction K*. In particular, entering the phrase on Part IV, "Information available upon request," or a similar phrase, is not acceptable.

The organization may also provide an attachment to explain the entire 2005 compensation package for any person listed in Part IV.

Key employee. A *key employee* is any person having responsibilities or powers similar to those of officers, directors, or trustees. The term includes the chief management and administrative officials of an organization (such as an executive director or chancellor).

Column (B)

In column (B), a numerical estimate of the average hours per week devoted to the

position is required for a complete answer. Statements such as "as needed" or "as required," or "40+" are unacceptable.

Column (C)

For each person listed, report salary, fees, bonuses, and severance payments paid. Include current-year payments of amounts reported or reportable as deferred compensation in any prior year.

Column (D)

Include in this column all forms of deferred compensation and future severance payments (whether or not funded; whether or not vested; and whether or not the deferred compensation plan is a qualified plan under section 401(a)). Include also payments to welfare benefit plans on behalf of the officers, etc. Such plans provide benefits such as medical, dental, life insurance, severance pay, disability, etc. Reasonable estimates may be used if precise cost figures are not readily available.

Unless the amounts were reported in column (C), report, as deferred compensation in column (D), salaries and other compensation earned during the period covered by the return, but not yet paid by the date the organization files its return.

Column (E)

Enter both taxable and nontaxable fringe benefits (other than *de minimis* fringe benefits described in section 132(e)). Include amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization or allowances that were more than the payee spent on serving the organization. Include payments made under indemnification arrangements, the value of the personal use of housing, automobiles, or other assets owned or leased by the organization (or provided for the organization's use without charge), as well as any other taxable and nontaxable fringe benefits. See Pub. 525 for more information.

Form 941 must be filed to report income tax withholding and social security and Medicare taxes. The organization must also file Form 940 to report Federal unemployment tax, unless the organization is not subject to these taxes. See Pub. 15 (Circular E) for more information. See also the *Trust Fund Recovery Penalty* discussion in *General Instruction D*.

Part V—Other Information

- Section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts must also complete and attach a Schedule A (Form 990 or 990-EZ) to their Form 990-EZ. See *General Instruction D* for information on Schedule A (Form 990 or 990-EZ).
- Answer "Yes," "No," or "N/A" to each question.
- The organization must attach a statement regarding personal benefit contracts. See *General Instruction V*.

Line 33—Change in Activities

Attach a statement to explain any significant changes in the kind of activities the organization conducts to further its exempt purpose. Include new or modified activities not listed as current or planned in the organization's application for recognition of exemption or not already made known to the IRS by a letter to its Director EO Examination or by an attachment to the organization's return for any earlier year. Also include any major program activities that are being discontinued.

Line 34—Changes in Organizing or Governing Documents

Attach a conformed copy of any changes to the articles of incorporation, or association, constitution, trust instrument, or other organizing document, or to the bylaws or other governing document. If you are filing electronically, conformed copies of these documents should be sent to the IRS in Cincinnati, OH, at the address in *General Instruction A*.

A *conformed copy* is one that agrees with the original document and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Photocopies of articles of incorporation showing the certification of an appropriate state official need not be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for details. When a number of changes are made, attach a copy of the entire revised organizing instrument or governing document.

However, if your exempt organization changes its legal structure, such as from a trust to a corporation, you must file a new exemption application to establish that the new legal entity qualifies for exemption.

Line 35—Unrelated Business Income and Lobbying Proxy Tax

Unrelated business income

Political organizations described in section 527 are not required to answer this question.

Check "Yes" on line 35a if the organization's total gross income from all of its unrelated trades and businesses is \$1,000 or more for the year. Gross income is gross receipts less the cost of goods sold. See Pub. 598 for a description of unrelated business income and the 2005 Instructions for Form 990-T for the Form 990-T filing requirements. Form 990-T is not a substitute for Form 990-EZ. Items of income and expense reported on Form 990-T must also be reported on Form 990-EZ when the organization is required to file both forms.



All tax-exempt organizations must pay estimated taxes with respect to their unrelated business income if they expect their tax liability to be \$500 or more. Use Form 990-W to compute this tax.

Section 6033(e) tax for lobbying expenditures

If you check "No" to line 35a, you are certifying that the organization was not subject to the notice and reporting requirements of section 6033(e) and that the organization had no lobbying and political expenditures potentially subject to the proxy tax.

Section 6033(e) notice and reporting requirements and proxy tax. Section 6033(e) requires certain section 501(c)(4), (5), and (6) organizations to tell their members the portion of their membership dues that were allocable to the political or lobbying activities of the organization. If an organization does not give its members this information, then the organization is subject to a proxy tax. The tax is reported on Form 990-T.

If you check "Yes" on line 35a to declare that your organization had reportable section 6033(e) lobbying and political expenses in the 2005 reporting year (and potential liability for the proxy tax):

1. Complete lines 85a-h, page 5, of Form 990 (note instructions), and

2. Attach page 5 to Form 990-EZ.

Only certain organizations that are tax exempt under sections:

- 501(c)(4) (social welfare organizations),
 - 501(c)(5) (agricultural and horticultural organizations), or
 - 501(c)(6) (business leagues)
- are subject to (a) the section 6033(e) notice and reporting requirements, and (b) a potential proxy tax.

If your organization is not tax-exempt under sections 501(c)(4), (5), or (6), check "No" on line 35a, unless there was unrelated business income.

If the organization meets *Exception 1* or 2 below, it is excluded from the notice, reporting, and proxy tax requirements of section 6033(e), and you should check "No" to line 35a, unless the organization had \$1,000 or more of unrelated business income. See also Rev. Proc. 98-19, 1998-1 C.B. 547.

Exception 1. Section 6033(e)(3) exception for nondeductible dues.

1. All organizations exempt from tax under section 501(a), other than section 501(c)(4), (5), and (6) organizations.

2. Local associations of employees' and veterans' organizations described in section 501(c)(4), but not section 501(c)(4) social welfare organizations.

3. Labor unions and other labor organizations described in section 501(c)(5), but not section 501(c)(5) agricultural and horticultural organizations.

4. Section 501(c)(4), (5), and (6) organizations that receive more than 90% of their dues from:

- a. Section 501(c)(3) organizations,
- b. State or local governments,
- c. Entities whose income is exempt from tax under section 115, or
- d. Organizations described in 1 through 3, above.

5. Section 501(c)(4) and (5) organizations that receive more than 90% of their annual dues from:

- a. Persons,
- b. Families, or
- c. Entities

who each paid annual dues of \$88 or less in 2005 (adjusted annually for inflation). See Rev. Proc. 2004-71, 2004-50 I.R.B. 970.

6. Any organization that receives a private letter ruling from the IRS stating that the organization satisfies the section 6033(e)(3) exception.

7. Any organization that keeps records to substantiate that 90% or more of its members cannot deduct their dues (or similar amounts) as business expenses whether or not any part of their dues are used for lobbying purposes.

8. Any organization that is not a membership organization.



Special rules treat affiliated social welfare organizations, agricultural and horticultural organizations, and business leagues as parts of a single organization for purposes of meeting the nondeductible dues exception. See Rev. Proc. 98-19.

Exception 2. Section 6033(e)(1) \$2,000 in-house lobbying exception. An organization satisfies the \$2,000 in-house lobbying exception if it:

1. Did not receive a waiver for proxy tax owed for the prior year.
2. Did not make any political expenditures or foreign lobbying expenditures during the 2005 reporting year,

3. Incurred lobbying expenses during the 2005 reporting year consisting only of in-house direct lobbying expenses totaling \$2,000 or less, but excluding:

- a. Any allocable overhead expenses, and
- b. All direct lobbying expenses of any local council regarding legislation of direct interest to the organization or its members.

Definitions.

Grassroots lobbying refers to attempts to influence any segment of the general public regarding legislative matters or referendums.

Direct lobbying includes attempting to influence:

- Legislation through communication with legislators and other government officials, and
- The official actions or positions of covered executive branch officials through direct communication.

Direct lobbying does not include attempting to influence:

- Any local council on legislation of direct interest to the organization or its members, and
- The general public regarding legislative matters (grassroots lobbying).

Other lobbying includes:

- Grassroots lobbying,
- Foreign lobbying,
- Third-party lobbying, and
- Dues paid to another organization that were used to lobby.

In-house expenditures include:

- Salaries, and
- Other expenses of the organization's officials and staff (including amounts paid or incurred for the planning of legislative activities).

In-house expenditures do not include:

- Any payments to other taxpayers engaged in lobbying or political activities as a trade or business.
- Any dues paid to another organization that are allocable to lobbying or political activities.

Line 36—Liquidation, Dissolution, Termination, or Substantial Contraction

If there was a liquidation, dissolution, termination, or substantial contraction, attach a statement explaining what took place.

For a complete liquidation of a corporation or termination of a trust, check the *Final return* box in the heading of the return. On the attached statement, show whether the assets have been distributed and the date. Also attach a certified copy of any resolution, or plan of liquidation or termination, etc., with all amendments or supplements not already filed. In addition, attach a schedule listing the names and addresses of all persons who received the assets distributed in liquidation or termination; the kinds of assets distributed to each one; and each asset's fair market value.

A *substantial contraction* is a partial liquidation or other major disposition of assets except transfers for full consideration or distributions from current income.

A *major disposition of assets* means any disposition for the tax year that is:

1. At least 25% of the fair market value of the organization's net assets at the beginning of the tax year; or
2. One of a series of related dispositions begun in earlier years that add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions depends on the facts in each case.

See Regulations section 1.6043-3 for special rules and exceptions.

Line 37—Expenditures for Political Purposes

Political organizations described in section 527 are not required to answer this question.

A political expenditure is one intended to influence the selection, nomination, election, or appointment of anyone to a federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice Presidential electors. It does not matter whether the attempt succeeds.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

All section 501(c) organizations. An exempt organization that is not a political organization must file Form 1120-POL if it is treated as having political organization taxable income under section 527(f)(1).

If a section 501(c) organization establishes and maintains a section 527(f)(3) separate segregated fund, see the specific instructions for line 81, Form 990.

Section 501(c)(3) organizations. A section 501(c)(3) organization will lose its tax-exempt status if it engages in political activity.

A section 501(c)(3) organization must pay a section 4955 excise tax for any amount paid or incurred on behalf of, or in opposition to, any candidate for public office. The organization must pay an additional excise tax if it fails to correct the expenditure timely.

A manager of a section 501(c)(3) organization who knowingly agrees to a political expenditure must pay a section 4955 excise tax, unless the agreement is not willful and there is reasonable cause. A manager who does not agree to a correction of the political expenditure may have to pay an additional excise tax.

When an organization promotes a candidate for public office (or is used or controlled by a candidate or prospective candidate), amounts paid or incurred for the following purposes are political expenditures:

- Remuneration to such individual (a candidate or prospective candidate) for speeches or other services;
- Travel expenses of such individual;
- Expenses of conducting polls, surveys, or other studies, or preparing papers or other material for use by such individual;
- Expenses of advertising, publicity, and fundraising for such individual; and
- Any other expense that has the primary effect of promoting public recognition or otherwise primarily accruing to the benefit of such individual.

An organization is effectively controlled by a candidate or prospective candidate only if such individual has a continuing, substantial involvement in the day-to-day operations or management of the organization.

A determination of whether the primary purpose of an organization is promoting the candidacy or prospective candidacy of an individual for public office is made on the basis of all the facts and circumstances. See section 4955 and Regulations section 53.4955.

Use Form 4720 to figure and report these excise taxes.

Line 38—Loans To or From Officers, Directors, Trustees, and Key Employees

Enter the end-of-year unpaid balance of secured and unsecured loans made to or received from officers, directors, trustees, and key employees. For example, if the organization borrowed \$1,000 from one officer and loaned \$500 to another, none of which has been repaid, report \$1,500 on line 38b.

For loans outstanding at the end of the year, attach a schedule as described below. Report any interest expense on line 16 and any interest income on line 2, 4, or 8, depending on the nature of the receivable that created the interest income.

When loans should be reported separately.

In the required schedule, report each loan separately, even if more than one loan was made to or received from the same person, or the same terms apply to all loans made. Salary advances and other advances for the personal use and benefit of the recipient, and receivables subject to special terms or arising from nontypical transactions, must be reported as separate loans for each officer, director, trustee, and key employee.

When loans should be reported as a single total.

In the required schedule, report receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public (occurring in the normal course of the organization's operations) as a single total for all the officers, directors, trustees, and key employees. Report travel advances for official business of the organization as a single total.

Schedule format. For each outstanding loan or other receivable that must be reported separately, the attached schedule should show the following information (preferably in columnar form):

- Borrower's name and title,
- Original amount,
- Balance due,
- Date of note,
- Maturity date,
- Repayment terms,
- Interest rate,
- Security provided by the borrower,
- Purpose of the loan, and
- Description and fair market value of the consideration furnished by the lender (for example, cash—\$1,000; or 100 shares of XYZ, Inc., common stock—\$9,000).

The above detail is not required for receivables or travel advances that may be reported as a single total. However, report and identify those totals separately in the attachment.

Line 39—Section 501(c)(7) Organizations

Gross receipts test. A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax-exempt. Part of the 35% (up to 15% of gross receipts) may be from public use of a social club's facilities.

Gross receipts are the club's income from its usual activities and include:

- Charges,
- Admissions,
- Membership fees,
- Dues,
- Assessments, and
- Investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments.

Gross receipts do not include:

- Capital contributions (see Regulations section 1.118-1),
- Initiation fees, or
- Unusual amounts of income (such as the sale of the clubhouse).



College fraternities or sororities or other organizations that charge membership initiation fees, but not annual dues, do include initiation fees in their gross receipts.

If the 35% and 15% limits do not affect the club's exempt status, include the income shown on line 39b on the club's Form 990-T.

Investment income earned by a section 501(c)(7) organization is not tax-exempt income unless it is set aside for:

- Religious,
- Charitable,
- Scientific,
- Literary,
- Educational purposes, or
- Prevention of cruelty to children or animals.

If the combined amount of an organization's gross investment income and other unrelated business income exceeds \$1,000, it must report the investment income and other unrelated business income on Form 990-T.

Nondiscrimination policy. A section 501(c)(7) organization is not exempt from income tax if any written policy statement, including the governing instrument and bylaws, allows discrimination on the basis of race, color, or religion.

However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion, if the social club:

1. Is an auxiliary of a fraternal beneficiary society exempt under section 501(c)(8), and
2. Limits its membership to the members of a particular religion; or the membership limitation is:
 - a. A good-faith attempt to further the teachings or principles of that religion, and
 - b. Not intended to exclude individuals of a particular race or color.

Line 40a—Section 501(c)(3) organizations: Disclosure of excise taxes imposed under section 4911, 4912, or 4955

Section 501(c)(3) organizations must disclose any excise tax imposed during the year under section 4911 (excess lobbying expenditures), 4912 (disqualifying lobbying expenditures), or, unless abated, 4955 (political expenditures). See sections 4962 and 6033(b).

Line 40b—Section 501(c)(3) and 501(c)(4) organizations: Disclosure of section 4958 excess benefit transactions and excise taxes

Sections 6033(b) and 6033(f) require section 501(c)(3) and (4) organizations to report the amount of taxes imposed under section 4958 (excess benefit transactions) involving the organization, unless abated, as well as any other information the Secretary may require concerning those transactions. See *General Instruction P* for a discussion of excess benefit transactions.

Attach a statement describing any excess benefit transaction, the disqualified person or persons involved, and whether or not the excess benefit transaction was corrected.

Line 40c—Taxes imposed on organization managers or disqualified persons

For line 40c, enter the amount of taxes imposed on organization managers or disqualified persons under sections 4912, 4955, and 4958, unless abated.

Line 40d—Taxes reimbursed by the organization

For line 40d, enter the amount of tax on line 40c that was reimbursed by the organization. Any reimbursement of the excise tax liability of a disqualified person or organization manager will be treated as an excess benefit unless (1) the organization treats the reimbursement as compensation during the year the reimbursement is made, and (2) the total compensation to that person, including the reimbursement, is reasonable.

Line 41—List of states

List each state with which the organization is filing a copy of this return in full or partial satisfaction of state filing requirements.

Line 42b. Foreign Financial Accounts

Check the "Yes" box if either 1 or 2 below applies:

1. At any time during the calendar year, the organization had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account); and

a. The combined value of the accounts was more than \$10,000 at any time during the calendar year; and

b. The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.

2. The organization owns more than 50% of the stock in any corporation that would answer "Yes" to item 1 above.

If the "Yes" box is checked, enter the name of the foreign country or countries. Attach a separate sheet if more space is needed. File Form TD F 90-22.1 by June 30, 2006, with the Department of the Treasury at the address shown on the form.

You can get Form TD F 90-22.1 by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS website at www.irs.gov. Do not file it with the IRS or attach it to Form 990-EZ.

Line 43. Section 4947(a)(1) Nonexempt Charitable Trusts

Section 4947(a)(1) nonexempt charitable trusts that file Form 990-EZ instead of Form 1041 must complete this line. The trust should include exempt-interest dividends received from a mutual fund or other regulated investment company as well as tax-exempt interest received directly.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws. Section 6109 requires return preparers to provide their identifying numbers on the return.

The organization is not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. The rules governing the confidentiality of the Form 990, and Form 990-EZ, are covered in Code section 6104.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated average times are:

| Form | Recordkeeping | Learning about the law or the form | Preparing the form | Copying, assembling, and sending the form to the IRS |
|--|------------------|------------------------------------|--------------------|--|
| 990 | 102 hr., 36 min. | 15 hr., 4 min. | 21 hr., 8 min. | 1 hr., 4 min. |
| 990-EZ | 29 hr., 10 min. | 11 hr., 33 min. | 14 hr., 24 min. | 32 min. |
| Schedule A (Form 990 or 990-EZ) | 49 hr., 44 min. | 9 hr., 26 min. | 10 hr., 39 min. | —0— |
| Schedule B (Form 990, 990-EZ, or 990-PF) | 4 hr., 46 min. | 1 hr., 23 min. | 1 hr., 31 min. | —0— |

We welcome comments on forms. If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224.

Do not send the form to this address. Instead, see *When and Where To File* in *General Instruction H*.

- A**
- Accounting fees 24, 41
 - Accounting method 5, 17, 37
 - Accounting period 5, 17, 37
 - Accounting periods and methods 5
 - Accounts payable 26
 - Accounts receivable 25
 - Activities, analysis of
 - income-producing 34
 - Activities, change in 29, 42
 - Address and name 17, 37
 - Address, change 17, 37
 - Address, Website 17, 37
 - Administrative expenses 40
 - Affiliated organizations 12
 - Affiliates 22, 40
 - Agencies, federated fundraising 22
 - Agent, acting as 3
 - Amended returns 5, 6, 17, 37
 - Analysis of Income-Producing
 - Activities 34
 - Application pending 2, 17, 37
 - Assessments 20, 32, 34, 39
 - Assets, net 27, 41
 - Assets, other 26, 41
 - Assets, sale of noninventory 20, 39
 - Attachments 15
 - Audit guides 5
- B**
- Backup withholding 14
 - Balance sheets 25, 41
 - Benefits, disregarded 12
 - Benefits, employee 24, 41
 - Benefits, members 24, 41
 - Bonds, tax-exempt 27
 - Bonus, discretionary 13
- C**
- Calculating gross receipts 17
 - Capital stock accounts 27
 - Capital surplus 27
 - Cash 25, 41
 - Change of address 17, 37
 - Change of name 17, 37
 - Changes in net assets 41
 - Checklist for a properly completed
 - return 16
 - Children, photographs of missing 2
 - Co-venture, contributions 19, 38
 - Colleges and universities 20
 - Compensation 12, 24, 28, 41
 - Completing all lines 15
 - Contemporaneous 8
 - Contracts, initial 12
 - Contracts, personal benefit 14, 35
 - Contribution, quid pro quo 8
 - Contributions 7, 18, 19, 21, 30, 38, 40
 - Contributions, acknowledgment of
 - charitable contributions 7
 - Contributions, co-venture 38
 - Contributions, definitions 8
 - Contributions, disclosure
 - statement 7
 - Contributions, government 19
 - Contributions, indirect 38
 - Contributions, insubstantial
 - value 7
 - Contributions, noncash 7
 - Contributions, nondeductible,
 - solicitations of 7
 - Contributions, pension plan 24
 - Contributions, quid pro quo 7
 - Contributions, special events 21
 - Contributors, schedule of 7, 18, 19, 37, 39
 - Costs, joint 25
- D**
- Deferred charges 26
 - Deferred revenue 26
 - Definition, key employee 28
 - Definitions 8
 - Depletion expense 24
 - Depreciation expense 24
 - Direct expenses 40
 - Disclosure requirements for charitable
 - contributions 7
 - Disclosure statement 8
 - Disclosures regarding certain
 - information and services
 - furnished 11
 - Disclosures regarding certain
 - transactions and
 - relationships 11
 - Disqualified persons 11, 12, 33, 45
 - Disregarded benefits 12
 - Disregarded entities 2, 17, 35
 - Dissolution 29, 43
 - Dividends 20, 34, 39
 - Documents, changes in
 - organizing 29, 43
 - Donations 5, 18, 30, 38
 - Dues 20, 22, 30, 32, 34, 38, 39, 41
 - Dues notices 30, 43
 - Dues, membership 19, 20, 22, 38, 39, 41
- E**
- Electronic filing 6
 - Employee benefit plans (section
 - 501(c)(9), (17), or (18)) 5
 - Employee benefits 24
 - Employees, key 27, 42
 - Employees, reporting of 34
 - Employer identification number (EIN):
 - Disregarded entities 17
 - Section 501(c)(9)
 - organizations 17, 37
 - Equipment rental and maintenance
 - expense 24
 - Erroneous backup withholding 14
 - Excess benefit transactions 11-14, 12, 33, 44
 - Excess benefit, correcting 13
 - Excise taxes 13, 33, 44, 45
 - Exempt organizations, types of 3
 - Exempt purposes, relationship of
 - activities 35
 - Exemption, revocation of 14
 - Expenses 20, 22, 23, 24, 25, 26, 30, 32, 40, 41, 43, 44
 - Expenses, functional 22
 - Expenses, fundraising 23
 - Expenses, indirect 23
 - Expenses, management and
 - general 22
 - Expenses, political 30, 44
 - Expenses, program service 22
 - Extension of time to file 6
- F**
- Fair market value 12
 - Fees 24, 41
 - Fees and contracts,
 - government 34
 - Fees for copies 10
 - Filing tests 2
 - Final return 6, 17, 29, 37, 43
 - Fixed payment 12
 - Foreign organizations 14
 - Form 1041 4
 - Form 1098 4
 - Form 1099 series 4
 - Form 1120-POL 4
 - Form 990 or Form 990-EZ,
 - assembling 15
 - Form 990 or Form 990-EZ, assembling
 - and completing properly 15
 - Form 990-T 4
 - Form LM-2 and LM-3, Labor
 - Organization Annual Report 5
 - Former officers, directors, trustees, and
 - key employees, list of 29
 - Forms and publications 3
 - Functional expenses 22
 - Fund balances 22, 27, 41, 42
 - Fundraising agencies 22
 - Fundraising expenses 23
 - Fundraising fees 24
 - Fundraising records for tax-deductible
 - contributions 7
 - Funds, current 27
- G**
- Gaming 21, 40
 - GEN (Group exemption
 - number) 17, 37
 - General Instructions (*See also* Table of
 - Contents) 2
 - Gifts 18, 19, 38
 - Government contributions 19, 38
 - Government fees and
 - contracts 19, 34, 39
 - Government grants 19
 - Grants 18, 19, 38, 40
 - Grants and allocations 23
 - Grants equivalent to
 - contributions 19, 38
 - Grants payable 26
 - Grants receivable 26
 - Grants, government 19
 - Gross receipts 3, 17, 33, 38, 44
 - Gross receipts test 3
 - Gross receipts, calculating 3, 17
 - Group exemption number 17, 37
 - Group return 14, 17
- H**
- Heading of Form 990, completion
 - of 17
 - Heading of Form 990-EZ, completion
 - of 37
 - Help by phone 1
 - Hospitals 20
- I**
- Income, investment 39
 - Income, unrelated business 29, 43
 - Indirect public support 19
 - Influence, substantial 11
 - Information Regarding Taxable
 - Subsidiaries and Disregarded
 - Entities 35
 - Information regarding transfers
 - associated with personal benefit
 - contracts 14, 35
 - Information, other 42
 - Initial contracts 12
 - Initial return (first return) 17, 37
 - Interest 20, 24, 34, 39
 - Intermediate Sanction
 - Regulations 11-14
 - Inventory, sales of 21, 40
 - Investment income 20, 39
 - Investments 20, 26, 41
 - Investments, program-related 20, 39
 - Investments, savings, and temporary
 - cash 25
- J**
- Joint costs 25
- K**
- Key employee 28
- L**
- Labor organizations (section
 - 501(c)(5)) 5
 - Land and buildings 41
 - Land, buildings, and
 - equipment 26, 27
 - Law firms, public interest 14
 - Legal fees 24, 41
 - Liquidation 29, 43
 - List of Officers, Directors, Trustees,
 - and Key Employees 27, 42
 - Loans from officers, directors, trustees,
 - and key employees 27
 - Loans receivable 26
 - Loans to or from officers, directors,
 - trustees, and key employees 44
 - Lobbying activities, cost
 - allocation 31
 - Lobbying expenses 32, 43
 - Lotteries 40
- M**
- Maintenance expense 41
 - Management and general
 - expenses 22
 - Medicare and Medicaid
 - payments 34
 - Meetings, expense of 24
 - Members benefits 24, 41
 - Membership assessments 20, 39
 - Membership dues 19, 20, 22, 38, 39, 41
 - Miscellaneous expenses, reporting for
 - state 25
 - Mortgages payable 27
- N**
- Name and address 17, 37
 - Name change 17, 37
 - Net assets 22, 27, 42
 - Nondeductible dues 30, 32
 - Nondiscrimination policy 33, 44
 - Notes payable 27
 - Notes receivable 26
- O**
- Occupancy expense 24, 41
 - Officers, directors, trustees, and key
 - employees, list of 27, 42
 - Organization managers 33, 45
 - Organization, type of 17, 38
 - Organizations in foreign countries and
 - U.S. possessions 14
 - Organizations not required to file 2
 - Organizations, affiliated 12
 - Organizations, compensation from
 - related 28
 - Organizations, relation to other 29
 - Other expenses 25, 41
 - Other information 29, 42
- P**
- Paid preparer 15
 - Paid-in capital 27
 - Paperwork reduction act notice 45
 - Payables 27, 44
 - Payment, fixed 12
 - Payment, non-fixed 13
 - Payroll taxes 24
 - Penalties 4, 6, 8
 - Pension plan contributions 24
 - Personal benefit contracts 14, 35
 - Personal benefit contracts-Form
 - 990-EZ filers 42
 - Phone help 1
 - Pledges receivable 25
 - Political expenses 30, 32
 - Political organization, public inspection
 - rules:
 - Penalties 9
 - Political organizations 2, 14
 - Postage expense 24, 41
 - Prepaid expenses 26
 - Printing expense 24, 41
 - Private delivery services 6
 - Program service accomplishments,
 - statement of 25, 42
 - Program service expenses 22
 - Program service revenue 19, 34, 38, 39
 - Program-related investment
 - income 39
 - Program-related investments 20
 - Proxy tax 30, 31, 32, 43
 - Public inspection 5, 8-11, 15, 30
 - Through the IRS 8
 - Through the organization 8
 - Public interest law firms 14
 - Public support, indirect 19

| | |
|---|----|
| Publication 78, Cumulative list of section 170(c) organizations | 2 |
| Publications and forms | 3 |
| Publications expense | 41 |
| Purpose of form | 1 |

| | |
|----------------------------|-------|
| Q | |
| Quid pro quo contribution | 8 |
| Quid pro quo contributions | 7, 30 |

| | |
|---|-------------------|
| R | |
| Raffles | 40 |
| Reasonableness, presumption of | 13 |
| Rebuttable presumption | 13 |
| Receivable, accounts | 25 |
| Receivable, grants | 26 |
| Receivable, notes and loans | 26 |
| Receivable, pledges | 25 |
| Receivables | 27, 44 |
| Receivables from officers, directors, trustees, and key employees | 26 |
| Reconciliation statements | 27 |
| Recordkeeping | 15 |
| Relationship of Activities to the Accomplishment of Exempt Purposes | 35 |
| Rent expense | 20, 41 |
| Rental income (loss) | 34 |
| Rents, gross | 20, 39 |
| Requirements for a properly completed Form 990 or Form 990-EZ | 15 |
| Retained earnings | 27 |
| Return, final | 6, 17, 29, 37, 43 |
| Return, group | 14, 17 |
| Return, initial (first) | 17, 37 |
| Returns, amended | 5, 6, 17, 37 |
| Revenue | 21, 26, 34 |
| Revenue, Expenses, and Changes in Net Assets or Fund Balances | 18, 38 |

| | |
|-------------------------------|----------------|
| Revenue, program service | 19, 34, 38, 39 |
| Revenue, special events | 18, 21, 38, 40 |
| Rounding off to whole dollars | 15 |

| | |
|---|----------------------|
| S | |
| Sales of Federal government materials, disclosure for | 11 |
| Sales of inventory | 20, 21 |
| Savings | 41 |
| Schedule A (Form 990 or 990-EZ) | 2, 3, 18, 38 |
| Schedule B (Form 990, 990-EZ, or 990-PF) | 4, 7, 18, 19, 37, 39 |
| Schedule B (Form 990, 990-EZ, or 990-PF) guidelines | 18, 37 |
| Schedule of contributors | 7, 18, 19, 37, 39 |
| Section 4911, 4912, or 4955 | 33, 44 |
| Section 4947(a)(1) trusts | 2, 34, 45 |
| Section 4958 | 11-14, 33, 44 |
| Section 4958, churches | 13 |
| Section 4958, excise taxes: | |
| Disqualified persons | 13 |
| Organization managers | 13 |
| Section 501(a), (e), (f), (k), and (n) organizations | 2 |
| Section 501(c)(12) organizations | 33 |
| Section 501(c)(15) organizations | 2 |
| Section 501(c)(3) organizations | 18, 30, 38, 44 |
| Applicable organization | 11 |
| Section 501(c)(3) organizations, disclosure of transactions and relationships | 11 |
| Section 501(c)(4) organizations: Applicable organization | 11 |
| Section 501(c)(4), (5), or (6) organizations | 30, 43 |

| | |
|---|--------------------|
| Section 501(c)(7) organizations | 33, 44 |
| Section 501(c)(9) organizations | 17, 37 |
| Section 501(c)(9), (17), (18) organizations | 18, 38 |
| Section 6033(e) exceptions | 30, 43 |
| Section 6033(e) notice and reporting requirements and proxy tax | 30, 43 |
| Securities | 20, 26, 39 |
| SFAS 116 | 22, 23, 38 |
| SFAS 117 | 27 |
| Shipping expense | 24, 41 |
| Signature | 15 |
| Solicitations of contributions | 30 |
| Solicitations of nondeductible contributions | 7 |
| Special events | 18, 19, 21, 38, 40 |
| Specific instructions for Form 990 (See also Table of Contents for these specific instructions.) | 17 |
| Specific Instructions for Form 990-EZ (See also Table of Contents for these specific instructions.) | 37 |
| State, reporting to | 4, 6, 25 |
| Statement of Functional Expenses | 22 |
| Statement of Position 98-2 | 25 |
| Statement of program service accomplishments | 25, 42 |
| States, list of | 34, 45 |
| Subsidiaries, taxable | 35 |
| Substantial influence | 11 |
| Substantiation | 8 |
| Substantiation and disclosure requirements for charitable contributions | 7 |
| Substitute forms for Form 990 or Form 990-EZ | 5 |
| Supplies | 24 |
| Support, direct public | 19 |

| | |
|-------------------------------------|--------|
| Sweepstakes, raffles, and lotteries | 21, 40 |
|-------------------------------------|--------|

| | |
|--|-----------|
| T | |
| Tax Forms Committee | 45 |
| Tax-exempt bond liabilities | 27 |
| Tax-exempt organization, public inspection rules | 9 |
| Taxable subsidiaries | 35 |
| Taxes, excise | 13 |
| Taxes, payroll | 24 |
| Taxes, reimbursement of | 45 |
| TE/GE EO Determinations | 2 |
| Telephone expense | 24 |
| Telephone number | 17, 37 |
| Termination | 29, 43 |
| Test, facts and circumstances | 11 |
| Travel expense | 24 |
| Trust fund recovery penalty | 4 |
| Trust principal account | 27 |
| Trusts, section 4947(a)(1) | 2, 34, 45 |

| | |
|--|--------|
| U | |
| Unrelated business income | 29, 43 |
| Unrelated trade or business activities | 20, 39 |
| Utilities expense | 41 |

| | |
|---------------------|--------|
| W | |
| Website address | 17, 37 |
| Who must file | 2 |
| Withholding, backup | 14 |



Instructions for Form 990-T

Exempt Organization Business Income Tax Return

Section references are to the Internal Revenue Code unless otherwise noted.

| Contents | Page |
|--|------|
| General Instructions | |
| Purpose of Form | 2 |
| Who Must File | 2 |
| Definitions | 2 |
| When To File | 3 |
| Where To File | 3 |
| Estimated Tax Payments | 3 |
| Depository Method of Tax Payment | 3 |
| Interest and Penalties | 4 |
| Which Parts To Complete | 4 |
| Consolidated Returns | 5 |
| Other Forms That May Be Required | 5 |
| Accounting Methods | 6 |
| Accounting Period and Tax Year | 6 |
| Reporting Form 990-T | |
| Information on Other Returns | 6 |
| Rounding Off to Whole Dollars | 6 |
| Attachments | 6 |
| Specific Instructions | |
| Period Covered | 7 |
| Name and Address | 7 |
| Blocks A through J | 7 |
| Part I—Unrelated Trade or Business Income | 7 |
| Part II—Deductions Not Taken Elsewhere | 9 |
| Part III—Tax Computation | 13 |
| Part IV—Tax and Payments | 14 |
| Part V—Statements Regarding Certain Activities and Other Information | 16 |
| Signature | 16 |
| Schedule A—Cost of Goods Sold | 16 |
| Schedule C—Rent Income | 17 |
| Schedule E—Unrelated Debt-Financed Income | 17 |
| Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations | 18 |
| Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization | 19 |
| Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income | 19 |
| Schedule J—Advertising Income | 19 |
| Schedule K—Compensation of Officers, Directors, and Trustees | 20 |
| Codes for Unrelated Business Activity | 21 |

What's New

- The organization may be able to deduct a portion of income from certain qualified production activities. See section 199 and Form 8903, Domestic Activities Production Deduction. Report the deduction on Form 990-T, line 28.
- For property leased to a government or another tax-exempt entity, or in the case of property acquired after March 12, 2004, that is treated as tax-exempt use property other than by reason of a lease, an organization may not claim deductions related to the property to the extent they exceed the organization's income from the lease payments. See section 470.
- An employee retention credit is available to employer organizations affected by Hurricanes Katrina, Rita, or Wilma. The credit is equal to 40 percent of qualified wages of employees. See section 38(b).
- Organizations are not subject to the contribution limitations for qualified cash contributions made beginning on August 28, 2005, and ending on December 31, 2005, for relief efforts related to Hurricane Katrina, Rita, or Wilma. See section 1400S(a).
- An enhanced charitable deduction for contributions of qualified food inventory is allowed from any taxpayer engaged in a trade or business to a charitable organization for the benefit of the ill, needy, or infants during the period beginning on August 28, 2005, and ending on December 31, 2005. A special limitation applies to certain entities. See section 170(e)(3)(C).
- The organization is allowed a deduction for donations of educational books made to a public school that provides elementary or secondary education. See section 170(e)(3)(D).
- Organizations may elect on a timely filed return, including extensions, to be taxed on income from qualifying shipping activities using an alternative tax method. Use Form 8902, Alternative Tax on Qualified Shipping Activities.
- The Gulf Opportunity Zone Act of 2005 provides certain tax relief benefits for organizations. For details, see Pub. 4492, Information for Taxpayers Affected by Hurricanes Katrina, Rita and Wilma.

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for

Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Unresolved Tax Issues

If the organization has attempted to deal with an IRS problem unsuccessfully, it should contact the Taxpayer Advocate. The Taxpayer Advocate independently represents the organization's interest and concerns within the IRS by protecting the rights and resolving problems that have not been fixed through normal channels.

While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that the organization's case is given a complete and impartial review.

The organization's assigned personal advocate will listen to its point of view and will work with the organization to address its concerns. The organization can expect the advocate to provide:

- A "fresh look" at a new or ongoing problem.
- Timely acknowledgement.
- The name and telephone number of the individual assigned to its case.
- Updates on progress.
- Timeframes for action.
- Speedy resolution.
- Courteous service.

When contacting the Taxpayer Advocate, the organization should be prepared to provide the following information:

- The organization's name, address, and employer identification number (EIN).
- The name and telephone number of an authorized contact person and the hours he or she can be reached.
- The type of tax return and years involved.
- A detailed description of the problem.
- Previous attempts to solve the problem and the office that was contacted.
- A description of the hardship the organization is facing and supporting documentation (if applicable).

The organization may contact a Taxpayer Advocate by calling a toll-free number, 1-877-777-4778. Persons who have access to TTY/TTD equipment may call 1-800-829-4059 and ask for Taxpayer Advocate assistance. If the organization prefers, it may call, write, or fax to the

Taxpayer Advocate office in its area. See Publication 1546, The Taxpayer Advocate Service of the IRS, for a list of addresses and fax numbers.

Phone Help

If you have questions and/or need help completing this form, please call 1-800-829-4933. This toll-free telephone service is available Monday through Friday.

How To Get Forms and Publications

Internet

You can access the IRS website 24 hours a day, 7 days a week, at www.irs.gov to:

- Order IRS products online.
- Download forms, instructions, and publications.
- See answers to frequently asked tax questions.
- Search publications online by topic or keyword.
- Send us comments or request help by email.
- Sign up to receive local and national tax news by email. To subscribe, visit www.irs.gov/eo.

CD-ROM

You can order Publication 1796, IRS Tax Products on CD, and obtain:

- A CD that is released twice so you have the latest products. The first release ships late December and the final release ships in late February.
- Current year forms, instructions, and publications.
- Prior year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law and frequently asked questions (FAQs).
- Tax topics from the IRS telephone response system.
- Fill-in, print and save features for most tax forms.
- Internal Revenue Bulletins
- Toll-free and email technical support.

Buy the CD-ROM from National Technical Information Service (NTIS) at www.irs.gov/cdorders for \$25 (no handling fee) or call 1-877-233-6767 toll free to buy the CD-ROM for \$25 (plus a \$5 handling fee).

By Phone and In Person

You can order forms and publications by calling 1-800-TAX-FORM (1-800-829-3676). You can also get most forms and publications at your local IRS office.

General Instructions

Purpose of Form

Use Form 990-T, Exempt Organization Business Income Tax Return, to:

- Report unrelated business income;
- Figure and report unrelated business income tax liability;

- Report proxy tax liability;
- Claim a refund of income tax paid by a regulated investment company (RIC) or a real estate investment trust (REIT) on undistributed long-term capital gain.

Who Must File

- Any domestic or foreign organization exempt under section 501(a) or section 529(a) must file Form 990-T if it has gross income from an unrelated trade or business of \$1,000 or more. See Regulations section 1.6012-2(e). Gross income is gross receipts minus the cost of goods sold. (See Regulations section 1.61-3.)



A disregarded entity, as described in Regulations sections 301.7701-1 through 301.7701-3, is treated as a branch or division of its parent organization for federal tax purposes. Therefore, financial information applicable to a disregarded entity must be reported as the parent organization's financial information.

- Organizations liable for the proxy tax on lobbying and political expenditures must file Form 990-T. See the *Line 37—Proxy Tax* on page 14 for a discussion of the proxy tax. If your organization is only required to file Form 990-T because of the proxy tax, see *Proxy Tax Only under Which Parts To Complete*, on page 4.
- Colleges and universities of states and other governmental units, as well as subsidiary corporations wholly owned by such colleges and universities, are also subject to the Form 990-T filing requirements. However, a section 501(c)(1) corporation that is an instrumentality of the United States and both organized and exempted from tax by an Act of Congress does not have to file.
- Organizations that are liable for other taxes (such as the section 1291 tax (line 35c or 36 of Form 990-T) or recapture taxes (line 42 of Form 990-T)) must file Form 990-T. See pages 13 and 15 of the instructions for a discussion of these items. If your organization is only required to file Form 990-T because of these taxes, see *Other Taxes under Which Parts To Complete*, on page 4.
- Fiduciaries for the following trusts that have \$1,000 or more of unrelated trade or business gross income must file Form 990-T:

1. Individual Retirement Accounts (IRAs) described under section 408(a),
2. Simplified Employee Pensions (SEPs) described under section 408(k),
3. Simple Retirement Accounts (SIMPLE) described under section 408(p),
4. Roth IRAs described under section 408A(b),
5. Coverdell education savings accounts (ESAs) described under section 530(b),
6. Archer Medical Savings Accounts (Archer MSAs) described under section 220(d), and
7. Qualified tuition programs described under section 529.



IRAs and other tax-exempt shareholders in a RIC or REIT filing Form 990-T only to obtain a refund of income tax paid on undistributed long-term capital gains should complete Form 990-T as explained in IRAs and other tax exempt shareholders in a RIC or REIT under Which Parts To Complete, on page 4.

Definitions

Unrelated trade or business income.

Unrelated trade or business income is the gross income derived from any trade or business (defined on page 3) that is regularly carried on, and not substantially related to (defined on page 3), the organization's exempt purpose or function (aside from the organization's need for income or funds or the use it makes of the profits).

Generally, for section 501(c)(7), (9), or (17) organizations, unrelated trade or business income is derived from nonmembers with certain modifications (see section 512(a)(3)(A)).

For a section 511(a)(2)(B) state college or university, unrelated trade or business income is derived from activities not substantially related to exercising or performing any purpose or function described in section 501(c)(3).

An unrelated trade or business does not include a trade or business:

1. In which substantially all the work is performed for the organization without compensation; or
2. That is carried on by a section 501(c)(3) or 511(a)(2)(B) organization mainly for the convenience of its members, students, patients, officers, or employees; or
3. That sells items of work-related equipment and clothes, and items normally sold through vending machines, food dispensing facilities or by snack bars, by a local association of employees described in section 501(c)(4), organized before May 27, 1969, if the sales are for the convenience of its members at their usual place of employment; or
4. That sells merchandise substantially all of which was received by the organization as gifts or contributions; or
5. That consists of qualified public entertainment activities regularly carried on by a section 501(c)(3), (4), or (5) organization as one of its substantial exempt purposes (see section 513(d)(2) for the meaning of qualified public entertainment activities); or
6. That consists of qualified convention or trade show activities regularly conducted by a section 501(c)(3), (4), (5), or (6) organization as one of its substantial exempt purposes (see section 513(d)(3) for the meaning of qualified convention and trade show activities); or
7. That furnishes one or more services described in section 501(e)(1)(A) by a hospital to one or more hospitals subject to conditions in section 513(e); or

8. That consists of qualified pole rentals (as defined in section 501(c)(12)(D)), by a mutual or cooperative telephone or electric company; or

9. That includes activities relating to the distribution of low-cost articles, each costing \$8.30 or less for 2005 (\$8.60 or less for 2006), by an organization described in section 501 and contributions to which are deductible under section 170(c)(2) or (3) if the distribution is incidental to the solicitation of charitable contributions; or

10. That includes the exchange or rental of donor or membership lists between organizations described in section 501 and contributions to which are deductible under section 170(c)(2) or (3); or

11. That consists of bingo games as defined in section 513(f). Generally, a bingo game is not included in any unrelated trade or business if:

a. Wagers are placed, winners determined, and prizes distributed in the presence of all persons wagering in that game, and

b. The game does not compete with bingo games conducted by for-profit businesses in the same jurisdiction, and

c. The game does not violate state or local law; or

12. That consists of conducting any game of chance by a nonprofit organization in the state of North Dakota, and the conducting of the game does not violate any state or local law; or

13. That consists of soliciting and receiving qualified sponsorship payments that are solicited or received after December 31, 1997. Generally, qualified sponsorship payment means any payment to a tax-exempt organization by a person engaged in a trade or business in which there is no arrangement or expectation of any substantial return benefit by that person—other than the use or acknowledgement of that person's name, logo, or product lines in connection with the activities of the tax-exempt organization. See section 513(i) for more information.

Trade or business. A trade or business is any activity carried on for the production of income from selling goods or performing services. An activity does not lose its identity as a trade or business merely because it is carried on within a larger group of similar activities that may or may not be related to the exempt purpose of the organization. If, however, an activity carried on for profit is an unrelated trade or business, no part of it can be excluded from this classification merely because it does not result in profit.

Not substantially related to. Not substantially related to means that the activity that produces the income does not contribute importantly to the exempt purposes of the organization, other than the need for funds, etc. Whether an activity contributes importantly depends in each case on the facts involved.

For details, see Pub. 598, Tax on Unrelated Business Income of Exempt Organizations.

Directly connected expenses. To be deductible in computing unrelated business taxable income, expenses, depreciation, and similar items must qualify as deductions allowed by section 162, 167, or other relevant provisions of the Code, and must be directly connected with the carrying on of an unrelated trade or business activity.

To be directly connected with the carrying on of a trade or business activity, expenses, depreciation, and similar items must bear a proximate and primary relationship to the conduct of the activity. For example, where facilities and/or personnel are used both to carry on exempt activities and to conduct unrelated trade or business activities, expenses and similar items attributable to such facilities and/or personnel must be allocated between the two uses on a reasonable basis. The portion of any such item allocated to the unrelated trade or business activity must bear a proximate and primary relationship to that business activity.

When To File

An employees' trust defined in section 401(a), an IRA (including SEPs and SIMPLEs), a Roth IRA, a Coverdell ESA, and an Archer MSA must file Form 990-T by the 15th day of the 4th month after the end of its tax year. All other organizations must file Form 990-T by the 15th day of the 5th month after the end of their tax year. If the regular due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. If the return is filed late, see the discussion of *Interest and Penalties* on page 4.

Extension. Corporations may request an automatic 6-month extension of time to file Form 990-T by using Form 8868, Application for Extension of Time To File an Exempt Organization Return.

Trusts may request an automatic 3-month extension of time to file by using Form 8868. Also, if more than the initial automatic 3 months is needed, trusts may file a second Form 8868 to request that an additional, but not automatic, 3-month extension be granted by the IRS.

Amended return. To correct errors or change a previously filed return, write "Amended Return" at the top of the return. Also, include a statement that indicates the line number(s) on the original return that was changed and give the reason for each change. Generally, the amended return must be filed within 3 years after the date the original return was due or 3 years after the date the organization filed it, whichever is later.

Where To File

To file Form 990-T, mail or deliver it to:
Internal Revenue Service Center
Ogden, UT 84201-0027

Private delivery services (PDSs). In addition to the United States mail, exempt

organizations can use certain PDSs designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. These private delivery services include only the following:

- DHL Express (DHL): DHL Same Day Service, DHL Next Day 10:30 am, DHL Next Day 12:00 pm, DHL Next Day 3:00 pm, and DHL 2nd Day Service.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, FedEx 2Day, FedEx International Priority, and FedEx International First.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, UPS 2nd Day Air A.M., UPS Worldwide Express Plus, and UPS Worldwide Express.

The private delivery service can tell you how to get written proof of the mailing date.



Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

Estimated Tax Payments

Generally, an organization filing Form 990-T must make installment payments of estimated tax if its estimated tax (tax minus allowable credits) is expected to be \$500 or more. Both corporate and trust organizations use Form 990-W, Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations, to figure their estimated tax liability. Do not include the proxy tax when computing your estimated tax liability for 2006.

To figure estimated tax, trusts and corporations must take the alternative minimum tax (if applicable) into account. See Form 990-W for more information.

Depository Method of Tax Payment

The organization must pay any tax due in full by the due date of the return without extensions. Some organizations (described below) are required to electronically deposit all depository taxes, including their unrelated business income tax payments.

Electronic Deposit Requirement

The organization must make electronic deposits of all depository tax (such as employment tax, excise tax, unrelated business income tax) using the Electronic Federal Tax Payment System (EFTPS) in 2006 if:

- The total deposits in 2004 were more than \$200,000 or
- The organization was required to use EFTPS in 2005.

If an organization is required to use EFTPS and fails to do so, it may be subject to a 10% penalty. If an

organization is not required to use EFTPS, it may participate voluntarily. To enroll in or get more information about EFTPS, call 1-800-555-4477. To enroll online, visit www.eftps.gov.

Depositing on time. For EFTPS deposits to be made timely, the organization must initiate the transaction at least 1 business day before the date the deposit is due.

Deposits With Form 8109

If the organization does not use EFTPS, deposit unrelated business income tax payments (and estimated tax payments) with Form 8109, Federal Tax Deposit Coupon. If you do not have a preprinted Form 8109, you may use Form 8109-B to make deposits. You can get this form only by calling 1-800-829-4933. Be sure to have your EIN ready when you call.

Do not send deposits directly to an IRS office; otherwise, the organization may have to pay a penalty. Mail or deliver the completed Form 8109 with the payment to an authorized depository (such as a commercial bank or other financial institution authorized to accept federal tax deposits).

Make checks or money orders payable to the depository. To help ensure proper crediting, write the organization's EIN, the tax period to which the deposit applies, and "Form 990-T" on the check or money order. Be sure to darken the "990-T" box under "Type of Tax" and the appropriate "Quarter" box under "Tax Period" on the coupon. Records of these deposits will be sent to the IRS. For more information, see "Marking the Proper Tax Period" in the instructions for Form 8109.

If the organization prefers, it may mail the coupon and payment to: Financial Agent, Federal Tax Deposit Processing, P.O. Box 970030, St. Louis, MO 63197. Make the check or money order payable to "Financial Agent."

For more information on deposits, see the instructions in the coupon booklet (Form 8109) and Pub. 583, Starting a Business and Keeping Records.



If the organization owes tax when it files Form 990-T, do not include the payment with the tax return. Instead, mail or deliver the payment with Form 8109 to an authorized depository, or use the EFTPS, if applicable.

Interest and Penalties

Your organization may be subject to interest and penalty charges if it files a late return or fails to pay tax when due. Generally, the organization is not required to include the interest and penalty charges on Form 990-T because the IRS can figure the amount and bill the organization for it.

Interest. Interest is charged on taxes not paid by the due date even if an extension of time to file is granted. Interest is also charged on penalties imposed for failure to file, negligence, fraud, substantial valuation misstatements, and substantial understatements of tax from the due date (including extensions) to the date of

payment. The interest charge is figured at the underpayment rate determined under section 6621.

Late filing of return. An organization that fails to file its return when due (including extensions of time for filing) is subject to a penalty of 5% of the unpaid tax for each month or part of a month the return is late, up to a maximum of 25% of the unpaid tax. The minimum penalty for a return that is more than 60 days late is the smaller of the tax due or \$100. The penalty will not be imposed if the organization can show that the failure to file on time was due to reasonable cause. Organizations that file late should attach a statement explaining the reasonable cause.

Late payment of tax. The penalty for late payment of taxes is usually $\frac{1}{2}$ of 1% of the unpaid tax for each month or part of a month the tax is unpaid. The penalty cannot exceed 25% of the unpaid tax. The penalty will not be imposed if the organization can show that the failure to pay on time was due to reasonable cause.

Estimated tax penalty. An organization that fails to make estimated tax payments when due may be subject to an underpayment penalty for the period of underpayment. Generally, an organization is subject to this penalty if its tax liability is \$500 or more and it did not make estimated tax payments of at least the smaller of its tax liability for 2005, or 100% of the prior year's tax. See section 6655 for details and exceptions.

Form 2220, Underpayment of Estimated Tax by Corporations, is used by corporations and trusts filing Form 990-T to see if the organization owes a penalty and to figure the amount of the penalty. Generally, the organization is not required to file this form because the IRS can figure the amount of any penalty and bill the organization for it. However, even if the organization does not owe the penalty, you must complete and attach Form 2220 if either of the following applies:

- The annualized income or adjusted seasonal installment method is used.
- The organization is a "large organization" computing its first required installment based on the prior year's tax.

If you attach Form 2220, be sure to check the box on line 46, page 2, Form 990-T, and enter the amount of any penalty on this line.

Trust fund recovery penalty. This penalty may apply if certain excise, income, social security, and Medicare taxes that must be collected or withheld are not paid to the United States Treasury. These taxes are generally reported on:

- Form 720, Quarterly Federal Excise Tax Return;
- Form 941, Employer's Quarterly Federal Tax Return;
- Form 943, Employer's Annual Federal Tax Return for Agricultural Employees; or
- Form 945, Annual Return of Withheld Federal Income Tax.

The trust fund recovery penalty may be imposed on all persons who are determined by the IRS to have been responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. The penalty is equal to the unpaid trust fund tax. See the instructions for Form 720, Pub. 15 (Circular E), Employer's Tax Guide, or Pub. 51 (Circular A), Agricultural Employer's Tax Guide, for details, including the definition of responsible persons.

Other penalties. There are also penalties that can be imposed for negligence, substantial understatement of tax, reportable transactions understatements, and fraud. See sections 6662, 6662A, and 6663.

Which Parts To Complete

TIP *If you are filing Form 990-T only because of the proxy tax, other taxes, or only to claim a refund, go directly to Proxy Tax Only, Other Taxes, or Claim for Refund (see below).*

Is Gross Income More Than \$10,000?

If the amount on line 13, column (A), Part I, is more than \$10,000, complete all lines and schedules that apply.

Is Gross Income \$10,000 or Less?

If Part I, line 13, column (A) is \$10,000 or less, then complete:

- The heading (the area above Part I).
- Part I, column (A) lines 1–13.
- Part I, line 13, for columns (B) and (C).
- Part II, lines 29–34.
- Parts III–V.
- Signature area.

Filers with \$10,000 or less on line 13, column (A) do not have to complete Schedules A through K (however, refer to applicable schedules when completing column (A) and in determining the deductible expenses to include on line 13 of column (B)).

Proxy Tax Only

Organizations that are required to file Form 990-T only because they are liable for the proxy tax on lobbying and political expenditures must:

- Fill in the heading (the area above Part I) except items E, H, and I.
- Enter the proxy tax on lines 37 and 39.
- Complete Part IV and the Signature area.
- Attach a schedule showing the proxy tax computation.

Other Taxes

Organizations that are required to file Form 990-T only because they are liable for recapture taxes, the section 1291 tax, or other items listed in the instructions for line 42 must:

- Fill in the heading (the area above Part I) except items E, H, and I.
- Complete the appropriate lines of Parts III and IV.
- Complete the Signature area.

- Attach all appropriate forms and or schedules showing the computation of the applicable tax or taxes.

Claim For Refund

If your only reason for filing a Form 990-T is to claim a refund, complete the following steps:

1. Fill-in the heading (the area above Part I) except items E, H, and I.
2. Enter -0- on line 13, column (A), line 34, and line 43.
3. Enter the credit or payment on the appropriate line (44a-44f).
4. Complete lines 45, 48, and 49 and the Signature area.
5. For claims described below, follow the additional instructions for that claim.

IRAs and other tax-exempt shareholders in a RIC or REIT. If you are an IRA or other tax-exempt shareholder that is invested in a RIC or a REIT and file Form 990-T only to obtain a refund of income tax paid on undistributed long-term capital gains, follow steps 1-4 above; write "Claim for Refund Shown on Form 2439" at the top of the Form 990-T; and attach to the return Copy B of Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains.

Composite Form 990-T. If you are a trustee of more than one IRA invested in a RIC, you may be able to file a composite Form 990-T to claim a refund of tax under section 852(b) instead of filing a separate Form 990-T for each IRA. See Notice 90-18, 1990-1 C.B. 327, for information on who can file a composite return. Complete steps 1-4 above and follow the additional requirements of the notice.

Backup withholding. If your only reason for filing Form 990-T is to claim a refund of backup withholding, complete the parts discussed above in steps 1-4 and attach a copy of the Form 1099 showing the withholding.

Consolidated Returns

The consolidated return provisions of section 1501 do not apply to exempt organizations, except for organizations having title holding companies. If a title holding corporation described in section 501(c)(2) pays any amount of its net income for a tax year to an organization exempt from tax under section 501(a) (or would, except that the expenses of collecting its income exceeded that income), and the corporation and organization file a consolidated return as described below, then treat the title holding corporation as being organized and operated for the same purposes as the other exempt organization (in addition to the purposes described in section 501(c)(2)).

Two organizations exempt from tax under section 501(a), one a title holding company, and the other earning income from the first, will be includible corporations for purposes of section 1504(a). If the organizations meet the definition of an affiliated group, and the other relevant provisions of Chapter 6 of

the Code, then these organizations may file a consolidated return. The parent organization must attach Form 851, Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, the title holding company must attach Form 1122, Authorization and Consent of Subsidiary Corporation To Be Included in a Consolidated Income Tax Return. See Regulations section 1.1502-100 for more information on consolidated returns.

Other Forms That May Be Required

Forms W-2 and W-3. Form W-2, Wage and Tax Statement, and Form W-3, Transmittal of Wage and Tax Statements. Use these forms to report wages, tips, other compensation, withheld income taxes, and withheld social security/Medicare taxes for employees.

Form 720. Use this Form 720, Quarterly Federal Excise Tax Return, to report environmental excise taxes, communications and air transportation taxes, fuel taxes, manufacturers taxes, ship passenger tax, and certain other excise taxes.



See Trust fund recovery penalty on page 4.

Form 926. File Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation, if the organization is required to report certain transfers to foreign corporations under section 6038B.

Form 940 or Form 940-EZ. The organization must file Form 940 or Form 940-EZ, Employer's Annual Federal Unemployment (FUTA) Tax Return, if it is liable for FUTA tax.

Form 941 and Form 943. The organization must file Form 941, Employer's Quarterly Federal Tax Return, or Form 943, Employer's Annual Federal Tax Return for Agricultural Employees, to report income tax withheld, and employer and employee social security and Medicare taxes. Also, see *Trust fund recovery penalty* on page 4.

Form 945. Use Form 945, Annual Return of Withheld Federal Income Tax, to report income tax withheld from nonpayroll distributions or payments, including pensions, annuities, IRAs, gambling winnings, and backup withholding.

Form 1098. Use Form 1098, Mortgage Interest Statement, to report the receipt from any individual of \$600 or more of mortgage interest (including points) in the course of the organization's trade or business and reimbursements of overpaid interest.

Forms 1099-A, B, DIV, INT, LTC, MISC, MSA, OID, R, and S. Organizations engaged in an unrelated trade or business may be required to:

- File an information return on Forms 1099-A, B, DIV, INT, LTC, MISC, MSA, OID, R, and S;
- Report acquisitions or abandonments of secured property through foreclosure;

- Report proceeds from broker and barter exchange transactions;
- Report certain dividends and distributions;
- Report interest income;
- Report certain payments made on a per diem basis under a long-term care insurance contract, and certain accelerated death benefits;
- Report miscellaneous income (such as, payments to providers of health and medical services, miscellaneous income payments, and nonemployee compensation);
- Report distributions from an Archer MSA;
- Report original issue discount;
- Report distributions from retirement or profit-sharing plans, IRAs, SEPs, or SIMPLEs, and insurance contracts; and
- Proceeds from real estate transactions.



When filing the above noted information returns the organization must also file Form 1096, Annual Summary and Transmittal of U.S. Information Returns.

Form 4466. Use Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax, to apply for a quick refund, if the organization over paid its estimated tax for the year by at least 10% of its expected income tax liability and at least \$500.

Form 5498. Use Form 5498, IRA Contribution Information, to report contributions (including rollover contributions) to any IRA, including a SEP, SIMPLE, Roth IRA, and to report Roth IRA conversions, IRA recharacterizations, and the fair market value of the account.

Form 5498-ESA. Use Form 5498-ESA, Coverdell ESA Contribution Information, to report contributions (including rollover contributions) to and the fair market value of a Coverdell education savings account (ESA).

Form 5498-SA. Use Form 5498-SA, HSA, Archer MSA or Medicare Advantage MSA Information, to report contributions to an HSA or Archer MSA and the fair market value of an HSA, Archer MSA or Medicare Advantage MSA. For more information see the general and specific Instructions for Forms 1099-SA and 5498-SA.

Form 5713. File Form 5713, International Boycott Report, if the organization had operations in, or related to, certain "boycotting" countries.

Form 6198. File Form 6198, At-Risk Limitations, if the organization has a loss from an at-risk activity carried on as a trade or business or for the production of income.

Form 8275 and 8275-R. Taxpayers and income tax return preparers use Form 8275, Disclosure Statement, and Form 8275-R, Regulation Disclosure Statement, to disclose items or positions taken on a tax return or that are contrary to Treasury regulations (to avoid parts of the accuracy-related penalty or certain preparer penalties).

Form 8300. File Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, if the organization received more than \$10,000 in cash or foreign currency in one transaction or in a series of related transactions. For more information, see Form 8300 and Regulations section 1.6050I-1(c).

Form 8697. Use Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to figure the interest due or to be refunded under the look-back method of section 460(b)(2). The look-back method applies to certain long-term contracts that are accounted for under either the percentage method or the completion-capitalized cost method.

Form 8865. Return of U.S. Person With Respect To Certain Foreign Partnerships. An organization may have to file Form 8865 if it:

1. Controlled a foreign partnership (that is, owned more than a 50% direct or indirect interest in the partnership).
2. Owned at least a 10% direct or indirect interest in a foreign partnership while U.S. persons controlled that partnership.
3. Had an acquisition, disposition, or change in proportional interest in a foreign partnership that:
 - a. Increased its direct interest to at least 10% or reduced its direct interest of at least 10% to less than 10%.
 - b. Changed its direct interest by at least a 10% interest.
4. Contributed property to a foreign partnership in exchange for a partnership interest if:
 - a. Immediately after the contribution, the organization directly or indirectly, owned, at least a 10% interest in the foreign partnership; or
 - b. The FMV of the property the organization contributed to the foreign partnership in exchange for a partnership interest, when added to other contributions of property made to the foreign partnership by the organization or a related person during the preceding 12-month period, exceeds \$100,000.

Also, the organization may have to file Form 8865 to report certain dispositions by a foreign partnership of property it previously contributed to that foreign partnership if it was a partner at the time of the disposition. For more details, including penalties that may apply, see Form 8865 and its separate instructions.

Form 8886. Use Form 8886, Reportable Transaction Disclosure Statement, to disclose information for each reportable transaction in which the organization participated. Form 8886 must be filed for each tax year that the federal income tax liability of the organization is affected by its participation in the transaction. The organization may have to pay a penalty if it is required to file Form 8886 but does not do so. The following are reportable transactions.

- Any listed transaction that is the same as or substantially similar to tax

avoidance transactions identified by the IRS.

- Any transaction offered under conditions of confidentiality for which the organization paid an advisor a fee of at least \$250,000.
- Certain transactions for which the organization has contractual protection against disallowance of the tax benefits.
- Any transaction resulting in a loss of at least \$10 million in any single year or \$20 million in any combination of years.
- Any transaction resulting in a book-tax difference of more than \$10 million on a gross basis.
- Any transaction resulting in a tax credit of more than \$250,000, if the organization held the asset generating the credit for 45 days or less.

Form 8873. Use Form 8873, Extraterritorial Income Exclusion, to report the amount of extraterritorial income from line 54 that is excluded from the organization's gross income for the tax year.

Form 8899. Use Form 8899, Notice of Income from Donated Intellectual Property, to report income from qualified intellectual property.

Accounting Methods

An accounting method is a set of rules used to determine when and how income and expenses are reported. Figure taxable income using the method of accounting regularly used in keeping the organization's books and records.

Generally, permissible methods include:

- Cash,
- Accrual, or
- Any other method authorized by the Internal Revenue Code.

In all cases, the method used must clearly show taxable income.

See Pub. 538, Accounting Periods and Methods, for more information.

Change in accounting method. To change its method of accounting used to report taxable income (for income as a whole or for the treatment of any material item), the organization must file with the IRS either an (a) advanced consent request for a ruling or (b) automatic change request for certain specific changes in accounting method.

In either case, the organization must file Form 3115, Application for Change in Accounting Method. For more information, see Form 3115 and Pub. 538, Accounting Periods and Methods.

Section 481(a) adjustment. The organization may have to make an adjustment under section 481(a) to prevent amounts of income or expense from being duplicated or omitted. The section 481(a) adjustment period is generally 1 year for a net negative adjustment and 4 years for a net positive adjustment. However, an organization may elect to use a 1-year adjustment period if the net section 481(a) adjustment for the change is less than \$25,000. The organization must complete

the appropriate lines of Form 3115 to make the election.

Include any net positive section 481(a) adjustment on Form 990-T, page 1, line 12. If the net section 481(a) adjustment is negative, report it on Form 990-T, page 1, line 28.

Accounting Period and Tax Year

The return must be filed using the organization's established annual accounting period. If the organization has no established accounting period, file the return on the calendar-year basis.

To change an accounting period, some organizations may make a notation on a timely filed Form 990, 990-EZ, 990-PF, or 990-T. Others may be required to file Form 1128, Application To Adopt, Change, or Retain a Tax Year. For details on which procedure applies to your organization, see Rev. Proc. 85-58, 1985-2 C.B. 740, and the instructions for Form 1128.

If the organization changes its accounting period, file Form 990-T for the short period that begins with the first day after the end of the old tax year and ends on the day before the first day of the new tax year. For the short period return, figure the tax by placing the organization's taxable income on an annual basis. For details, see Pub. 538 and section 443.

Reporting Form 990-T Information on Other Returns

Your organization may be required to file an annual information return on:

- Form 990, Return of Organization Exempt From Income Tax;
- Form 990-EZ, Short Form Return of Organization Exempt From Income Tax;
- Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation; or
- Form 5500, Annual Return/Report of Employee Benefit Plan.

If so, include on that information return the unrelated business gross income and expenses (but not including the specific deduction claimed on line 33, page 1, or any expense carryovers from prior years) reported on Form 990-T for the same tax year.

Rounding Off to Whole Dollars

The organization may round off cents to whole dollars on Form 990-T and its schedules. If the organization does round to whole dollars, it must round all amounts. To round, drop amounts under 50 cents and increase amount from 50 to 99 cents to the next dollar. For example, \$1.39 becomes \$1 and \$2.50 becomes \$3.

If two or more amounts must be added to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Attachments

If you need more space on the form or schedules, attach separate sheets. On

the attachment, write the corresponding form or schedule number or letter and follow the same format. Show totals on the printed form. Also, include the organization's name and EIN. The separate sheets should be the same size as the printed form and should be attached after the printed form.

Specific Instructions

Period Covered

File the 2005 return for calendar year 2005 or a fiscal year beginning in 2005 and ending 2006. For a fiscal year, fill in the tax year information at the top of the form.

The 2005 Form 990-T may also be used if:

- The organization has a tax year of less than 12 months that begins and ends in 2006, and
- The 2006 Form 990-T is not available at the time the organization is required to file its return. The organization must show its 2006 tax year on the 2005 Form 990-T and take into account any tax law changes that are effective for tax years beginning after December 31, 2005.

Name and Address

The name and address on Form 990-T should be the same as the name and address shown on other Forms 990. If you received a mailing label and any information is incorrect or missing, cross out any errors, print the correct information, and add any missing information.

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the organization has a P.O. box, show the box number instead of the street address.

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.



Change of name. If the organization has changed its name, it must check the box next to "Name of organization" and also provide the following when filing this return, if it is:

- A corporation or is incorporated with the state, an amendment to the articles of incorporation along with proof of filing with the state is required.
- A trust, an amendment to the trust agreement is required along with the trustee(s) signature.
- An association or an unincorporated association, an amendment to the articles of association, constitution, by-laws or other organizing document is required along with signatures of at least two officers/members.

Blocks A through J

Block A. If the organization has changed its address since it last filed a return, check Block A.



If a change in address occurs after the return is filed, use Form 8822, Change of Address, to notify the IRS of the new address.

Block B. Check the box under which the organization receives its tax exemption.

Qualified pension, profit-sharing, and stock bonus plans should check the 501 box and enter "a" between the first set of parentheses.

For other organizations exempt under section 501, check the box for 501 and enter the section that describes their tax exempt status, for example, 501(c)(3).

For tax exemptions that do not receive their exemption under section 501, use the following guide.

| If you are a | Then check this box |
|---------------------------------|---------------------|
| IRA, SEP, or SIMPLE | 408(e) |
| Roth IRA | 408A |
| Archer MSA | 220(e) |
| Coverdell ESA | 530(a) |
| Qualified State Tuition Program | 529(a) |

Block C. Enter the total of the end-of-year assets from the organization's books of account.

Block D. An employees' trust described in section 401(a) and exempt under section 501(a) should enter its own trust identification number in this block.

An IRA trust enters its own EIN in this block. An IRA trust never uses a social security number or the trustee's EIN.

- An EIN may be applied for:
- Online—Click on the *Employer ID Numbers (EINs)* link at www.irs.gov/businesses/small. The EIN is issued immediately once the application information is validated.
 - By telephone at 1-800-829-4933.
 - By mailing or faxing Form SS-4, Application for Employer Identification Number.

If the organization has not received its EIN by the time the return is due, write "Applied for" in the space for the EIN. For more details, see Publication 583, Starting a Business and Keeping Records.

Note. The online application process is not yet available for organizations with addresses in foreign countries or Puerto Rico.

Block E. Enter the applicable unrelated business activity code(s) that specifically describes the organization's unrelated business activity. If a specific activity code does not accurately describe the organization's activities, then choose a general code that best describes its activity. These codes are listed on page 21.

Block F. If the organization is covered by a group exemption, enter the group exemption number.

Block G. Check the box that describes your organization.

"Other trust" includes IRAs, SEPs, SIMPLEs, Roth IRAs, Coverdell IRAs, and Archer MSAs.

Section 529 organizations check the 501(c) corporation or 501(c) trust box depending on whether the organization is a corporation or a trust. Also, be sure the box for 529(a) in Block B is checked.

If you check "501(c) corporation," leave line 36 blank. If you check "501(c) trust," "401(a) trust," or "Other trust" leave lines 35a, b, and c blank.

Block H. Describe the primary unrelated business activity of your organization based on unrelated income. Attach a schedule if more space is needed.

Block I. Check the "Yes" box if your organization is a corporation and either 1 or 2 below applies:

1. The corporation is a subsidiary in an affiliated group (defined in section 1504) but is not filing a consolidated return for the tax year with that group.
2. The corporation is a subsidiary in a parent-subsidary controlled group (defined in section 1563).

Excluded member. If the corporation is an "excluded member" of a controlled group (see section 1563(b)(2)), it is still considered a member of a controlled group for purposes of Block I.

Block J. Enter the name of the person who has the organization's books and records and the telephone number at which he or she can be reached.

Part I—Unrelated Trade or Business Income

Complete column (A), lines 1 through 13. If the amount on line 13 is \$10,000 or less, you may complete only line 13 for columns (B) and (C). These filers do not have to complete Schedules A through K (however, refer to applicable schedules when completing column (A)). If the amount on line 13, column (A), is more than \$10,000, complete all lines and schedules that apply.

Member income of mutual or cooperative electric companies.

Income of a mutual or cooperative electric company described in section 501(c)(12) which is treated as member income under subparagraph (H) of that section is excluded from unrelated business taxable income.

Extraterritorial income. Except as otherwise provided in the Internal Revenue Code, gross income includes all income from whatever source derived. Gross income generally does not include extraterritorial income that is qualifying foreign trade income. However, the extraterritorial income exclusion is reduced by 20% for transactions in 2005 (40% for transactions in 2006), unless made under a binding contract with an unrelated person in effect on September

17, 2003, and at all times thereafter. Use Form 8873, Extraterritorial Income Exclusion, to figure the exclusion. Include the exclusion in the total for *Other deductions* on line 28, Form 990-T.

Income from qualifying shipping activities. The organization's gross income does not include income from qualifying shipping activities (as defined in section 1356) if the organization makes an election under section 1354 on a timely filed return (including extensions) to be taxed on its notional shipping income (as defined in section 1353) at the highest corporate rate (35%). If the election is made, the organization generally may not claim any loss, deduction, or credit with respect to qualifying shipping activities. An organization making this election also may elect to defer gain on the disposition of a qualifying vessel under section 1359. Use Form 8902, Alternative Tax on Qualifying Shipping Activities, to figure the tax. Include the alternative tax on Form 990-T, Part IV, line 42.

Line 1a—Gross Receipts or Sales

Enter the gross income from any unrelated trade or business regularly carried on that involves the sale of goods or performance of services.



A section 501(c)(7) social club would report its restaurant and bar receipts from nonmembers on line 1, but would report its investment income on line 9 and in Schedule G.

Advance payments. In general, advanced payments are reported in the year of receipt. To report income from long-term contracts, see section 460. For special rules for reporting certain advanced payments for goods and long-term contracts, see Regulations section 1.451-5. For permissible methods for reporting advanced payments for services by an accrual method organization, see Rev. Proc. 2004-34, 2004-22 I.R.B. 991.

Installment sales. Generally, the installment method cannot be used for dealer dispositions of property. A "dealer disposition" is (a) any disposition of personal property by a person who regularly sells or otherwise disposes of personal property of the same type on the installment plan or (b) any disposition of real property held for sale to customers in the ordinary course of the taxpayer's trade or business.

These restrictions on using the installment method do not apply to dispositions of property used or produced in a farming business or sales of timeshares and residential lots for which the organization elects to pay interest under section 453(l)(3).

For sales of timeshares and residential lots reported under the installment method, the organization's income tax is increased by the interest payable under section 453(l)(3). To report this addition to the tax, see the instructions for line 42.

Enter on line 1a (and carry to line 3), the gross profit on collections from installment sales for any of the following:

- Dealer dispositions of property before March 1, 1986.
- Dispositions of property used or produced in the trade or business of farming.
- Certain dispositions of timeshares and residential lots reported under the installment method.

Attach a schedule showing the following information for the current and the 3 preceding years:

1. Gross sales,
2. Cost of goods sold,
3. Gross profits,
4. Percentage of gross profits to gross sales,
5. Amount collected, and
6. Gross profit on amount collected.

Nonaccrual experience method.

Accrual method organizations are not required to accrue certain amounts to be received from the performance of services that, on the basis of their experience, will not be collected, if:

- The services are in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, or
- The organization's average annual gross receipts for the 3 prior tax years does not exceed \$5 million.

This provision does not apply to any amount if interest is required to be paid on the amount or if there is any penalty for failure to timely pay the amount. For more information, see section 448(d)(5) and Temporary Regulations section 1.488-2T. Organizations that qualify to use the nonaccrual experience method, should attach a schedule showing total gross receipts, amounts not accrued as a result of the application of section 448(d)(5), and the net amount accrued. Enter the net amount on line 1a.

Certain cooperatives that have gross receipts of \$10 million or more and have patronage and nonpatronage source income and deductions must complete and attach Form 8817, Allocation of Patronage and Nonpatronage Income and Deductions, to their return.

Gain or loss on disposition of certain brownfield property. Gain or loss from the qualifying sale, exchange, or other disposition of a qualifying brownfield property (as defined in section 512(b)(18)(C)), which was acquired by the organization after December 31, 2004, is excluded from unrelated business taxable income and is excepted from the debt-financed rules for such property. See section 512(b)(19) and 514(b)(1)(E).

Line 4a—Capital Gain Net Income

Generally, organizations required to file Form 990-T (except organizations described in sections 501(c)(7), (9), and (17)) are not taxed on the net gains from the sale, exchange, or other disposition of property. However, net capital gains on

debt-financed property, capital gains on cutting timber, and ordinary gains on sections 1245, 1250, 1252, 1254, and 1255 property are taxed. See Form 4797, Sales of Business Property, and its instructions for additional information.

Also, any capital gain or loss passed through from an S corporation or any gain or loss on the disposition of S corporation stock by a qualified tax exempt (see *S Corporations* under the line 5 instructions) is taxed as a capital gain or loss.

Capital gains and losses should be reported by a trust on Schedule D (Form 1041), Capital Gains and Losses, and by a corporation on Schedule D (Form 1120), Capital Gains and Losses.

An organization that transfers securities it owns for the contractual obligation of the borrower to return identical securities recognizes no gain or loss. To qualify for this treatment, the organization must lend the securities under an agreement that requires:

1. The return of identical securities;
2. The payment of amounts equivalent to the interest, dividends, and other distributions that the owner of the securities would normally receive; and
3. The risk of loss or opportunity for gain not be lessened.

See section 512(a)(5) for details.

Debt-financed property disposition.

The amount of gain or loss to be reported on the sale, exchange, or other disposition of debt-financed property is the same percentage as the highest acquisition indebtedness for the property for the 12-month period before the date of disposition is to the average adjusted basis of the property. The percentage may not be more than 100%. See the instructions for Schedule E, column 5, to determine adjusted basis and average adjusted basis.

If debt-financed property is depreciable or depletable property, the provisions of sections 1245, 1250, 1252, 1254, and 1255 must be considered first.

Example. On January 1, 2004, an exempt educational corporation, using \$288,000 of borrowed funds, purchased an office building for \$608,000. The only adjustment to basis was \$29,902 for depreciation (straight line method under MACRS over the 39-year recovery period for nonresidential real property). The corporation sold the building on December 31, 2005, for \$640,000. At the date of sale, the adjusted basis of the building was \$578,098 (\$608,000 – \$29,902) and the indebtedness remained at \$288,000. The adjusted basis of the property on the first day of the year of disposition was \$593,037. The average adjusted basis is \$585,568 (((\$593,037 + \$578,098) ÷ 2). The debt/basis percentage is 49% (\$288,000 ÷ \$585,568).

The taxable gain is \$30,332 (49% × (\$640,000 – \$578,098)). This is a long-term capital gain. A corporation should enter the gain on line 6, Part II, Schedule D (Form 1120). A trust should

enter the gain on Schedule D (Form 1041). Both should attach a statement to the return showing how the gain was figured.

Line 4b—Net Gain or (Loss)

Show gains and losses on other than capital assets on Form 4797. Enter on this line the net gain or (loss) from Part II, line 17, Form 4797.

An exempt organization using Form 4797 to report ordinary gain on sections 1245, 1250, 1252, 1254, and 1255 property will include only depreciation, amortization, or depletion allowed or allowable in figuring unrelated business taxable income or taxable income of the organization (or a predecessor organization) for a period when it was not exempt.

Line 4c—Capital Loss Deduction for Trusts

If a trust has a net capital loss, it is subject to the limitations of Schedule D (Form 1041). Enter on this line the loss figured on Schedule D (Form 1041).

Line 5—Income or (Loss) From Partnerships and S Corporations

Combine all partnership income or loss (determined below) with all S corporation income or loss and enter it on line 5.

However, for limitations on losses for certain activities, see Form 6198 and, for trusts, Form 8582, Passive Activity Loss Limitations, or, for corporations, Form 8810, Corporate Passive Activity Loss and Credit Limitations, and sections 465 and 469.

Partnerships

If the organization is a partner in a partnership carrying on an unrelated trade or business, enter the organization's share (whether or not distributed) of the partnership's income or loss from the unrelated trade or business.

Figure the gross income and deductions of the partnership in the same way you figure unrelated trade or business income the organization earns directly.

Attachment. Attach a statement to this return showing the organization's share of the partnership's gross income from the unrelated trade or business, and its share of the partnership deductions directly connected with the unrelated gross income. Also, see *Attachments* on page 6 for other information you need to include.

S Corporations

For tax years beginning after December 31, 1997, qualified tax exempts can be shareholders in an S corporation without the S corporation losing its status as an S corporation. Qualified tax exempts that hold stock in an S corporation treat their stock interest as an unrelated trade or business. All items of income, loss, or deduction are taken into account in figuring unrelated business taxable income. Report on line 4 any gain or loss on the disposition of S corporation stock.

Qualified tax exempts. A qualified tax exempt is an organization that is described in section 401(a) (qualified stock bonus, pension, and profit-sharing plans) or 501(c)(3) and exempt from tax under section 501(a).

Exception. Employer stock ownership plans (ESOPs) do not follow these S corporation rules if the S corporation stock is an employer security as defined in section 409(l).

Attachment. Attach a statement to this return showing the qualified tax exempt's share of all items of income, loss, or deduction. Show capital gains and losses separately and include them on line 4a. Combine the income, loss, and deductions (except for the capital gains and losses) on the statement. If you hold stock in more than one S corporation, total the combined amounts. Also, see *Attachments* on page 6 for other information you need to include.

Line 12—Other Income

Enter on line 12 any item of unrelated business income that is not reportable elsewhere on the return. Include:

- Recoveries of bad debts deducted in earlier years under the specific charge-off method. Attach a separate schedule of any items of other income to your return;
- The amount from Form 6478, Credit for Alcohol Used as Fuel; and
- The amount from Form 8864, Biodiesel and Renewable Diesel Fuels Credit.

Organizations described in section 501(c)(19). Enter the net income from insurance business that was not properly set aside. These organizations may set aside income from payments received for life, sick, accident, or health insurance for members of the organization or their dependents:

1. To provide for the payment of insurance benefits;
2. For a purpose specified in section 170(c)(4) (religious, charitable, scientific, literary, educational, etc.); or
3. For administrative costs directly connected with benefits described in 1 and 2 above.

Amounts set aside and used for purposes other than those 1, 2, or 3 above, must be included in unrelated business taxable income for the tax year if they were previously excluded from taxable income.

Any amount spent for a purpose described in section 170(c)(4) is first considered paid from funds earned by the organization from insurance activities if the income is not used for the insurance activities.

Expenditures for lobbying are not considered section 170(c)(4) expenses.

Income from property financed with qualified 501(c)(3) bonds. If any part of the property is used in a trade or business of any person other than a section 501(c)(3) organization or a governmental unit, your section 501(c)(3) organization is considered to have received unrelated business income in the amount of the

greater of the actual rental income or the fair rental value of the property for the period it is used. No deduction is allowed for interest on the private activity bond. Report the greater of the actual rent or the fair rental value on line 12. Report allowable deductions in Part II. See section 150(b)(3) for more information.

Passive foreign investment company (PFIC) shareholders. If your organization is a direct or indirect shareholder of a PFIC within the meaning of section 1296, it may have income tax consequences under section 1291 on the disposition of the PFIC stock or on receipt of an excess distribution from the PFIC, described in section 1291(a). Your organization may have current income under section 1293 if the PFIC is a qualified electing fund (QEF) with respect to the organization.

Include on line 12 the portion of an excess distribution or section 1293 inclusion that is taxable as unrelated business taxable income. See Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund, for more information on reporting excess distributions and current income inclusions.

See the instructions for lines 35c and 36 in Part III for reporting the deferred tax amount that may be owed by your organization with respect to an excess distribution.

Part II—Deductions Not Taken Elsewhere

If the amount on Part I, line 13, column (A), is \$10,000 or less, you do not have to complete lines 14 through 28 of Part II. However, you must complete lines 29 through 34 of Part II.

Directly connected expenses. Only expenses directly connected with unrelated trade or business income (except contributions) may be deducted on these lines (see *Directly connected expenses* on page 3). Contributions may be deducted, whether or not directly connected. Do not separately include in Part II any expenses that are reported in Schedules A through J, other than excess exempt expenses entered on line 26 and excess readership costs entered on line 27. For example, officers' compensation allocable to advertising income is reported on Schedule J only, and should not be included on Schedule K or line 14 of Part II.

Limitations on Deductions

The following items discuss certain areas in which the amount of the deduction may to some extent be limited.

Activities Lacking a Profit Motive

If income is attributable to an activity lacking a profit motive, a loss from the activity cannot be claimed on Form 990-T. Therefore, in Part I, column (B) and Part II, the total of deductions for expenses directly connected with income from an activity lacking a profit motive is limited to

the amount of that income. Generally, an activity lacking a profit motive is one that is not conducted for the purpose of producing a profit or one that has consistently produced losses when both direct and indirect expenses are taken into account.

Transactions Between Related Taxpayers

Generally, an accrual basis taxpayer may only deduct business expenses and interest owed to a related party in the year the payment is included in the income of the related party. See sections 163(e)(3), 163(j), and 267 for limitations on deductions for unpaid interest and expenses.

Preference Items

Corporations may be required to adjust deductions for depletion of iron ore and coal, intangible drilling and exploration and development costs, and the amortizable basis of pollution control facilities. See section 291 to determine the amount of the adjustment.

Section 263A Uniform Capitalization Rules

These rules require organizations to capitalize or include as inventory cost certain costs incurred in connection with:

- The production of real property and tangible personal property held in inventory or held for sale in the ordinary course of business.
- Real property or personal property held in inventory (tangible and intangible) acquired for resale.
- The production of real property and tangible personal property produced by the organization for use in its trade or business or in an activity engaged in for profit.

Tangible personal property produced by an organization includes a film, sound recording, videotape, book, or similar property.

Indirect expenses. Organizations subject to the section 263A uniform capitalization rules are required to capitalize direct costs and an allocable part of most indirect costs (including taxes) that benefit the assets produced or acquired for resale or are incurred by reason of the performance of production or resale activities.

For inventory, some of the indirect expenses that must be capitalized are:

- Administration expenses,
- Taxes,
- Depreciation,
- Insurance,
- Compensation paid to officers attributable to services,
- Rework labor, and
- Contributions to pension, stock bonus, and certain profit-sharing, annuity, or deferred compensation plans.

Regulations section 1.263A-1(e)(3) specifies other indirect costs that relate to production or resale activities that must be capitalized and those that may be currently deductible.

Interest expense. Interest expense paid or incurred during the production period of designated property must be capitalized and is governed by special rules. For more details, see Regulations section 1.263A-8 through 1.263A-15.

When are section 263A capitalized costs deductible? The costs required to be capitalized under section 263A are not deductible until the property (to which the costs relate) is sold, used, or otherwise disposed of by the organization.

Exceptions. Section 263A does not apply to:

- Personal property acquired for resale if the organization's average annual gross receipts for the 3 prior tax years were \$10 million or less.
- Timber.
- Most property produced under long-term contract.
- Certain property produced in a farming business.
- Research and experimental costs under section 174.
- Geological and geophysical costs amortized under section 167(h).
- Intangible drilling costs for oil, gas, and geothermal property.
- Mining exploration and development costs.
- Inventory of an organization that accounts for inventories in the same manner as materials and supplies that are not incidental. See *Schedule A—Cost of Goods Sold* on page 16 for details.

Additional information. For more details on the uniform capitalization rules, see Regulations sections 1.263A-1 through 1.263A-3.

Travel, Meals, and Entertainment

Subject to limitations and restrictions discussed below, an organization can deduct ordinary and necessary travel, meals, and entertainment expenses paid or incurred in its trade or business. Also, special rules apply to deductions for gifts, skybox rentals, luxury water travel, convention expenses, and entertainment tickets. See section 274 and Pub. 463, *Travel, Entertainment, Gift, and Car Expenses*, for more details.

Travel. The organization cannot deduct travel expenses of any individual accompanying an organization's officer or employee, including a spouse or dependent of the officer or employee, unless:

- That individual is an employee of the organization and
- His or her travel is for a bona fide business purpose and would otherwise be deductible by that individual.

Meals and entertainment. Generally, the organization can deduct only 50% of the amount otherwise allowable for meals and entertainment expenses paid or incurred in its trade or business. In addition (subject to exceptions under section 274(k)(2)):

- Meals must not be lavish or extravagant;
- A bona fide business discussion must occur during, immediately before, or immediately after the meal; and

- An employee of the organization must be present at the meal.

Membership dues. The organization may deduct amounts paid or incurred for membership dues in civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce, boards of trade, and real estate boards. However, no deduction is allowed if a principal purpose of the organization is to entertain, or provide entertainment facilities for members or their guests. In addition, organizations may not deduct membership dues in any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion.

Entertainment facilities. The organization cannot deduct an expense paid or incurred for use of a facility (such as a yacht or hunting lodge) for an activity usually considered entertainment, amusement, or recreation.

Amounts treated as compensation.

The organization generally may be able to deduct otherwise nondeductible travel, meals, and entertainment expenses if the amounts are treated as compensation and reported on Form W-2 for an employee or Form 1099-MISC for an independent contractor.

However, if the recipient is an officer or director, the deduction for otherwise nondeductible meals, travel and entertainment expenses, is limited to the amount treated as compensation. See section 274(e)(2) and Notice 2005-45, 2005-24 I.R.B. 1228.

Certain Expenses For Which Credits Are Allowable

For each of the credits listed below, the organization must reduce the otherwise allowable deductions for expenses used to figure the credit by the amount of the current year credit:

1. The credit for increasing research activities,
2. The enhanced oil recovery credit,
3. The disabled access credit,
4. The employer credit for social security and Medicare taxes paid on certain employee tips,
5. The credit for employer-provided child care,
6. The orphan drug credit,
7. The credit for small employer pension plan startup, and
8. The low sulfur diesel fuel production credit.

If the organization has any of these credits, be sure to figure each current year credit before figuring the deduction for expenses on which the credit is based.

Business Startup Expenses

Business startup and organizational costs must be capitalized unless an election is made to amortize them. For cost paid or

incurred before October 23, 2004, the organization must capitalize them unless it elects to amortize these cost over a period of 60 months or more. For cost paid or incurred after October 23, 2004, the following rules apply separately to each category of cost.

- The organization can elect to deduct up to \$5,000 of such cost for the year the organization begins business operations.
- The \$5,000 deduction is reduced (but not below zero) by the amount the total costs exceed \$50,000. If the total costs are \$55,000 or more, the deduction is reduced to zero.
- If the election is made, any costs that are not deducted must be amortized ratably over a 180-month period.

In all cases, the amortization period begins the month the corporation begins operations. For more details on the election for business start-up and organizational costs, see Pub. 535.

For more details on the election for business start-up costs, see section 195 and attach the statement required by Regulations section 1.195-1(b). For more details on the election for organizational costs, see section 248 and attach the statement required by Regulation section 1.248-1(c). Report the deductible amount of these costs and any amortization on line 28 (line 16, Form 990-EZ). For amortization that begins during the 2005 tax year, complete and attach Form 4562.

Line 16—Repairs and Maintenance

Enter the cost of incidental repairs and maintenance not claimed elsewhere on the return, such as labor and supplies, that do not add to the value or appreciably prolong the life of the property.

Line 17—Bad Debts

Enter the total receivables from unrelated business activities that were previously included in taxable income and that became worthless in whole or in part during the tax year.

Line 18—Interest

Attach a separate schedule listing the interest being claimed on this line.

- **Interest allocation.** If the proceeds of a loan were used for more than one purpose (for example, to purchase a portfolio investment and to acquire an interest in a passive activity), an interest allocation must be made. See Temporary Regulations section 1.163-8T for the interest allocation rules.
- **Tax-exempt interest.** Do not include interest on indebtedness incurred or continued to purchase or carry obligations, on which the interest income is totally exempt from income tax. For exceptions, see section 265(b).
- **Prepaid interest.** Generally, a cash basis taxpayer cannot deduct prepaid interest allocable to years following the current tax year. For example, in 2005 a cash basis calendar year taxpayer prepaid interest on a loan. The taxpayer can deduct only that part of the prepaid

interest that was for the use of the loan before January 1, 2006.

- **Straddle interest.** Generally, the interest and carrying charges on straddles cannot be deducted and must be capitalized. See section 263(g).
- **Original issue discount.** See section 163(e)(5) for special rules for the disqualified portion of original issue discount on a high yield discount obligation.
- **Related party interest.** Certain interest paid or accrued by the organization (directly or indirectly) to a related person may be limited if no tax is imposed on such interest. See section 163(j) for more details.
- **Interest on certain underpayments of tax.** Interest paid or incurred on any portion of an underpayment of tax that is attributable to an understatement arising from an undisclosed listed transaction or an undisclosed reportable avoidance transaction (other than a listed transaction) entered into in tax years beginning after October 22, 2004.
- **Interest allocable to the production of designated property.** Do not deduct interest on debt allocable to the production of designated property. Interest that is allocable to such property produced by an organization for its own use or for sale must be capitalized. An organization must also capitalize any interest on debt allocable to an asset used to produce the above property. See section 263A(f) and Regulations sections 1.263A-8 through 1.263A-15 for definitions and more information.
- **Interest on below-market loans.** See section 7872 for special rules regarding the deductibility of foregone interest on certain below-market-rate loans.

Line 19—Taxes and Licenses

Enter taxes and license fees paid or accrued during the year, but do not include the following:

- Federal income taxes.
- Foreign or U.S. possession income taxes if a tax credit is claimed. For special rules on possession income taxes, see the Instructions for Form 5735, Possessions Corporation Tax Credit (Under Sections 936 and 30A).
- Taxes not imposed on your organization.
- Taxes, including state or local sales taxes, paid or incurred in connection with an acquisition or disposition of property (these taxes must be treated as part of the cost of the acquired property or, in the case of a disposition, as a reduction in the amount realized on the disposition).
- Taxes assessed against local benefits that increase the value of the property assessed (such as for paving, etc.).
- Taxes deducted elsewhere on the return, such as those reflected in cost of good sold.

See section 164(d) for apportionment of taxes on real property between the buyer and seller.

Line 20—Charitable Contributions

Enter contributions or gifts actually paid within the tax year to or for the use of charitable and governmental organizations described in section 170(c). Also, enter any unused contributions carried over from earlier years. The deduction for contributions will be allowed whether or not directly connected with the carrying on of a trade or business.

Contributions made in January 2005 for the Indian Ocean Tsunami Relief are not deductible if a deduction was taken on the 2004 tax return.

Corporations. The total amount claimed normally cannot be more than 10% of unrelated business taxable income figured without regard to the deduction for charitable contributions. The limitation however, on charitable contributions is suspended temporarily. The suspension applies only to cash contributions made during the period beginning on August 28, 2005, and ending on December 31, 2005.



Organizations must make an election and are required to substantiate that qualified cash contributions are for relief efforts related to Hurricanes Katrina, Rita, or Wilma. If the organization's contribution will exceed the 10% limitation, attach a statement to the organization's tax return indicating the amount of contributions subject to the 10% limitation and the amount of qualified contributions for relief efforts related to Hurricanes Katrina, Rita, or Wilma. See section 1400S.

Contributions of food inventory. An enhanced deduction for contributions of food inventory is available to any trade or business of any taxpayer providing food to the ill, needy, or infants.

Donations of educational books. An enhanced deduction is available to certain corporations contributing qualified educational books to a public school providing elementary or secondary education.

A school providing elementary or secondary education is an educational organization that normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where its educational activities are regularly carried on. The enhanced deduction is not allowed unless the donee organization certifies in writing that the contributed books are suitable, in terms of currency, content, and quantity, for use in the donee's educational programs and that the donee will use the books in such educational programs. See section 170(e)(3)(D).

Charitable contributions over the 10% limitation cannot be deducted for the tax year, but may be carried over to the next 5 tax years.

In figuring the charitable contributions deduction, if the corporation has an NOL carryover to the tax year, the 10% limit is applied using the taxable income after

taking into account any deduction for the NOL.

To figure the amount of any remaining NOL carryover to later years, taxable income must be modified. See section 172(b). To the extent charitable contributions are used to reduce taxable income for this purpose and increase a net operating loss carryover, a contributions carryover is not allowed. See section 170(d)(2)(B).

Corporations on the accrual basis can elect to deduct contributions paid by the 15th day of the 3rd month after the end of the tax year if the contributions are authorized by the board of directors during the tax year. Attach a declaration to the return stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. The declaration must also include the date the resolution was adopted.

Trusts. In general:

1. For contributions to organizations described in section 170(b)(1)(A), the amount claimed may not be more than 50% of the unrelated business taxable income figured without this deduction; and
2. For contributions to other organizations, the amount claimed may not be more than the smaller of:
 - a. 30% of unrelated business taxable income figured without this deduction; or
 - b. The amount by which 50% of the unrelated business taxable income is more than the contributions allowed in 1 above.



Contributions not allowable in whole or in part because of the limitations may not be deducted as a business expense, but may be carried over to the next 5 tax years.

Substantiation requirements.

Generally, no deduction is allowed for any contribution of \$250 or more, unless the organization gets a written acknowledgement from the donee organization that shows the amount of cash contributed, describes any property contributed, and either gives a description and a good faith estimate of the value of any goods or services provided in return for the contribution or states that no goods or services were provided in return for the contribution. The acknowledgement must be obtained by the due date (including extensions) of the organization's return, or, if earlier, the date the return is filed. However, see section 170(f)(8) and the related regulations for exceptions to this rule. Do not attach the acknowledgement to the return, but keep it with the organization's records.

These rules apply in addition to the filing requirements for Form 8283, Noncash Charitable Contributions, discussed below. **Special rules** and limits apply to contributions:

- To organizations conducting lobbying activities, see section 170(f)(9).
- Of property other than cash, see Regulations section 1.170A-13(c).

- Of inventory and other property to certain organizations for use in the care of the ill, needy, or infants, see section 170(e) and Regulations section 1.170A-4A.
- Of scientific equipment used for research to institutions of higher learning or to certain scientific research organizations (other than by personal holding companies and service organizations), see section 170(e)(4).
- Of computer technology and equipment for educational purposes, see section 170(e)(6).

For more information on charitable contributions, including substantiation and recordkeeping requirements, see section 170, the related regulations, and Pub. 526, Charitable Contributions.

Line 21—Depreciation

Besides depreciation, include on line 21 the part of the cost, under section 179, that the organization elected to expense for certain tangible property placed in service during tax year 2005 or carried over from 2004. See Form 4562, Depreciation and Amortization, and its instructions.

Line 23—Depletion

See sections 613 and 613A for percentage depletion rates for natural deposits. Attach Form T, Forest Activities Schedules, if a deduction is taken for depletion of timber.

Line 24—Contributions to Deferred Compensation Plans

Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file Form 5500. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year. Section 6652(e) imposes a penalty for late filing of these forms. In addition, there is a penalty for overstating the pension plan deduction. See section 6662(f).

Line 25—Employee Benefit Programs

Enter the amount of contributions to employee benefit programs (such as, insurance, health and welfare programs) that are not an incidental part of a deferred compensation plan included on line 24.

Line 28—Other Deductions

Enter on this line the deduction taken for amortization (see Form 4562) as well as other authorized deductions for which no space is provided on the return. Attach a separate schedule listing the deductions claimed on this line. Deduct only items directly connected with the unrelated trade or business for which income is reported in Part I.

Domestic production activities.

Complete Form 8903 and enter the deduction on this line.

Deductions related to property leased to tax-exempt entities. For property leased to a governmental or other tax-exempt entity, or in the case of property acquired after March 12, 2004, that is treated as tax-exempt use property other than by reason of a lease, the organization may not claim deductions related to the property to the extent that they exceed the organization's income from the lease payments. Amounts disallowed may be carried over to the next year and treated as a deduction with respect to the property. See section 470 for more information.

Energy Efficient Commercial Buildings.

You may deduct expenses for energy efficient commercial buildings placed in service after December 31, 2005. See section 179D.

Do not deduct fines or penalties paid to a government for violating any law.

Line 31—Net Operating Loss (NOL) Deduction

The NOL deduction is the total of the net operating loss carryovers and carrybacks that can be deducted in the tax year. To be deductible, an NOL must have been incurred in an unrelated trade or business activity. See section 172(a).

Certain electric utility companies may elect a carryback period of five years for NOLs arising in tax years 2003, 2004, and 2005. The election may be made during any tax year ending after December 31, 2005, and before January 1, 2009. See section 172(b)(1)(I).

If any portion of any NOL is a qualified Gulf Opportunity Zone loss that was paid or incurred after August 27, 2005, and before January 1, 2008, the amount of the NOL may be eligible for a five-year carryback. See section 1400N(k) and Pub. 4492 for more information.

Enter on line 31, the total NOL carryover from other tax years, but do not enter more than the amount shown on line 30. Attach a schedule showing the computation of the NOL deduction. The amount of an NOL carryback or carryover is determined under section 172. See Regulations section 1.512(b)-1(e). For more information about NOLs, see Pub. 536, Net Operating Losses.

Line 33—Specific Deduction

A specific deduction of \$1,000 is allowed except for computing the net operating loss and the net operating loss deduction under section 172.

Only one specific deduction may be taken, regardless of the number of unrelated businesses conducted. However, a diocese, province of a religious order, or convention or association of churches is allowed one specific deduction for each parish, individual church, district, or other local unit that regularly conducts an unrelated trade or business. This applies only to those parishes, districts, or other local units that are not separate legal entities, but are components of a larger entity (diocese, province, convention, or

association). Each specific deduction will be the smaller of \$1,000 or the gross income from any unrelated trade or business the local unit conducts. If you claim a total specific deduction larger than \$1,000, attach a schedule showing how you figured the amount.

The diocese, province of a religious order, or convention or association of churches must file a return reporting the gross income and deductions of all its units that are not separate legal entities. These local units cannot file separate returns because they are not separately incorporated. Local units that are separately incorporated must file their own returns and cannot be included with any other entity except for a title holding company. See the instructions under *Consolidated Returns* on page 5.

For details on the specific deduction, see section 512(b)(12) and the related regulations.

Part III—Tax Computation



If the organization is making a section 965 election, see the instructions for Parts III and IV of Form 8895, One-Time Dividends Received Deduction for Certain Cash Dividends from Controlled Foreign Corporations, before computing its tax.

Lines 35a and 35b

Corporate members of a controlled group, as defined in section 1563, must check the box on line 35 and complete lines 35a and 35b.

The term “controlled group” means any parent-subsidiary group, brother-sister group, or combined group. See the definitions below.

Parent-subsidiary group.

Parent-subsidiary group parent-subsidiary group is one or more chains of corporations connected through stock ownership with a common parent corporation if:

- Stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of each of the corporations, except the common parent corporation, is directly or indirectly owned by one or more of the other corporations; and
- The common parent corporation directly or indirectly owns stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of stock of at least one of the other corporations, excluding, in computing such voting power or value, stock owned directly by such other corporation.

Brother-sister group. A brother-sister group is two or more corporations of 5 or fewer persons who are individuals, estates, or trusts who

directly or indirectly own stock possessing:

- At least 80% of the total combined voting power of all classes of stock entitled to vote or at least 80% of the total value of shares of all classes of the stock of each corporation, and
- More than 50% of the total combined voting power of all classes of stock entitled to vote or more than 50% of the total value of shares of all classes of stock of each corporation, taking into account the stock ownership of each such person only to the extent such stock ownership is identical with respect to each such corporation.

The definition of brother-sister group does not include the first bullet above, but only for purposes of the taxable income brackets, alternative minimum tax exemption amounts, and accumulated earnings credit.

Combined group. A combined group is three or more corporations each of which is a member of a parent-subsidiary group or a brother-sister group, and one of which is:

- A common parent corporation included in a group of corporations in a parent-subsidiary group, and also
- Included in a group of corporations in a brother-sister group.

For more details on controlled groups, see section 1563.

Members of a controlled group are entitled to one \$50,000, one \$25,000, and one \$9,925,000 taxable income bracket amount (in that order) on line 35a.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to this plan. The copy (or an attached statement) must show the part of the amount in each taxable income bracket apportioned to that member. See Regulations section 1.1561-3(b) for other requirements and for the time and manner of making the consent.

Equal apportionment plan. If no apportionment plan is adopted, members of a controlled group must divide the amount in each taxable income bracket equally among themselves. For example, Controlled Group AB consists of Corporation A and Corporation B. They do not elect an apportionment plan. Therefore, Corporation A and Corporation B are each entitled to \$25,000 (one-half of \$50,000) in the \$50,000 taxable income bracket on line 35a(1), \$12,500 (one-half of \$25,000) in the \$25,000 taxable income bracket on line 35a(2), and \$4,962,500 (one-half of \$9,925,000) in the \$9,925,000 taxable income bracket on line 35a(3).

Unequal apportionment plan.

Members of a controlled group may elect an unequal apportionment plan and divide

the taxable income brackets as they want. There is no need for consistency among taxable income brackets. Any member of the controlled group may be entitled to all, some, or none of the taxable income bracket. However, the total amount for all members cannot be more than the total amount in each taxable income bracket.

Additional 5% tax and additional 3% tax.

Members of a controlled group are treated as one corporation to figure the applicability of the additional 5% tax that must be paid by corporations with taxable income over \$100,000 and the additional 3% tax that must be paid by corporations with taxable income over \$15 million. If either additional tax applies, each member of the controlled group will pay that tax based on the part of the amount that is used in each taxable income bracket to reduce that member's tax. See section 1561(a). Each member must enter its share of the additional 5% tax on line 35b(1) and its share of the additional 3% tax on line 35b(2) and attach to its tax return a schedule that shows the taxable income of the entire group, as well as how its share of the additional tax was figured.

Lines 35c and 36

Deferred tax amount under section 1291.

If your organization has an excess distribution from a passive foreign investment company (PFIC) that is taxable as unrelated business taxable income, the organization may owe the deferred tax amount defined in section 1291(c)(1). The portion of the deferred tax amount that is the aggregate increases in taxes (described in section 1291(c)(2)) must be included in the amount entered on line 35c or 36. Write to the left of line 35c or 36, “Sec. 1291” and the amount. Do not include on line 35c or 36 the portion of the deferred tax amount that is the aggregate amount of interest determined under section 1291(c)(3). Instead, write “Sec. 1291 interest” and the amount in the bottom right margin of page 2, Form 990-T. See Part IV of Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund.

Line 35c—Corporations

Use the *Tax Rate Schedule for Corporations* shown on page 14 to figure the tax.



Members of a controlled group use the Tax Computation Worksheet for Members of a Controlled Group on page 14 to figure the tax. Members of a controlled group should see the instructions above for lines 35a and 35b. Members of a controlled group must attach a statement showing the computation of the tax entered on line 35c.

Tax Rate Schedule for Corporations (Internal Revenue Code – Section 11)

If the amount on line 34, page 1 is:

| Over — | But not over — | Tax is: | Of the amount over — |
|------------|----------------|-----------------|----------------------|
| \$0 | \$50,000 | 15% | \$0 |
| 50,000 | 75,000 | \$ 7,500 + 25% | 50,000 |
| 75,000 | 100,000 | 13,750 + 34% | 75,000 |
| 100,000 | 335,000 | 22,250 + 39% | 100,000 |
| 335,000 | 10,000,000 | 113,900 + 34% | 335,000 |
| 10,000,000 | 15,000,000 | 3,400,000 + 35% | 10,000,000 |
| 15,000,000 | 18,333,333 | 5,150,000 + 38% | 15,000,000 |
| 18,333,333 | ----- | 35% | 0 |

Tax Computation Worksheet for Members of a Controlled Group (Keep for your records)

Each member of a controlled group must compute the tax using the computation below:

1. Enter unrelated business taxable income (line 34, page 1, Form 990-T) _____
2. Enter line 1 or corporation's share of the \$50,000 taxable income bracket, whichever is less _____
3. Subtract line 2 from line 1 _____
4. Enter line 3 or corporation's share of the \$25,000 taxable income bracket, whichever is less _____
5. Subtract line 4 from line 3 _____
6. Enter line 5 or corporation's share of the \$9,925,000 taxable income bracket, whichever is less _____
7. Subtract line 6 from line 5 _____
8. Enter 15% of line 2 _____
9. Enter 25% of line 4 _____
10. Enter 34% of line 6 _____
11. Enter 35% of line 7 _____
12. If the taxable income of the controlled group exceeds \$100,000, enter this member's share of the smaller of: (a) 5% of the excess over \$100,000, or (b) \$11,750 (see instructions for additional 5% and additional 3% tax). _____
13. If the taxable income of the controlled group exceeds \$15 million, enter this member's share of the smaller of: (a) 3% of the excess over \$15 million, or (b) \$100,000 (see instructions for additional 5% and additional 3% tax). _____
14. Add lines 8 through 13. Enter here and on line 35c, page 2, Form 990-T _____

Line 36—Trusts

Trusts exempt under section 501(a), which otherwise would be subject to subchapter J (estates, trusts, etc.), are taxed at trust rates. This rule also applies to employees' trusts that qualify under section 401(a). Most trusts figure the tax on the amount on line 34 using the Tax Rate Schedule for Trusts, below. If the tax rate schedule is used, enter the tax on line 36 and check the "tax rate schedule" box on line 36. If the trust is eligible for the rates on net capital gains, complete Schedule D (Form 1041) and enter the tax from Schedule D (Form 1041) on page 2, line 36. Check the "Schedule D" box on line 36 and attach Schedule D (Form 1041) to Form 990-T.

Tax Rate Schedule Trust (Internal Revenue Code – Section 1(e))

If the amount on line 34, page 1 is:

| Over — | But not over — | Tax is: | Of the amount over — |
|--------|----------------|--------------|----------------------|
| \$0 | \$2,000 | 15% | \$0 |
| 2,000 | 4,700 | \$ 300 + 25% | 2,000 |
| 4,700 | 7,150 | 975 + 28% | 4,700 |
| 7,150 | 9,750 | 1,661 + 33% | 7,150 |
| 9,750 | ----- | 2,519 + 35% | 9,750 |

Line 37—Proxy Tax

To pay the section 6033(e)(2) proxy tax on nondeductible lobbying and political expenditures, enter the proxy tax on line 37 and attach a schedule showing the computation.

Exempt organizations, except section 501(c)(3) and certain other organizations, must include certain information regarding lobbying expenditures on Form 990. In addition, organizations may have to provide notices to members regarding their share of dues to which the expenditures are allocable. See Form 990 instructions and Rev. Proc. 98-19, 1998-1 C.B. 547 for exceptions and other details.

If the organization elects not to provide the notices described above, it must pay the proxy tax described in section 6033(e)(2). If the organization does not include the entire amount of allocable dues in the notices, it may have to pay the proxy tax. This tax is not applicable to section 501(c)(3) organizations. Figure the proxy tax by multiplying the aggregate amount not included in the notices described above by 35%. No deductions are allowed.

Line 38—Alternative Minimum Tax

Organizations liable for tax on unrelated business taxable income may be liable for alternative minimum tax on certain adjustments and tax preference items. Trusts attach Schedule I, Alternative Minimum Tax, of Form 1041 and enter any tax from Schedule I on this line. A corporation, unless it is treated as a "small corporation" exempt from the alternative minimum tax, may have to attach Form 4626, Alternative Minimum Tax—Corporations, and enter any tax from Form 4626 on this line. See the Instructions for Form 4626 for the definition of a small corporation.

Part IV—Tax and Payments

Line 40a—Foreign Tax Credit

- **Corporations.** See Form 1118, Foreign Tax Credit—Corporations, for an explanation of when a corporation can take this credit for payment of income tax to a foreign country or U.S. possession.
- **Trusts.** See Form 1116, Foreign Tax Credit (Individual, Estate, Trust, or Nonresident Alien Individual), for rules on

how the trust computes the foreign tax credit.

Complete the form that applies to the organization and attach the form to its Form 990-T. Enter the credit on this line.

Line 40b—Other Credits

- **Possessions tax credit.** The Small Business Job Protection Act of 1996 repealed the possessions credit. However, existing claimants may qualify for a credit under the transitional rules. See the Instructions for Form 5735.

- **Nonconventional source fuel credit (calendar year filers only).** For tax years ending on December 31, 2005, use Form 8907, Nonconventional Source Fuel Credit, to figure the credit for the sale of qualified fuels produced from a nonconventional source. Include the amount from line 23 in the total for line 40b, Form 990-T.

Note. For tax years ending after December 31, 2005, the nonconventional source fuel credit is a general business credit included on Form 3800.

- **Qualified electric vehicle credit.** Include on line 40b any credit from Form 8834, Qualified Electric Vehicle Credit. Vehicles that qualify for this credit are not eligible for the deduction for clean-fuel vehicles under section 179A.

- **Clean renewable energy bond credit and gulf bond credit.** Complete and attach Form 8912.

Line 40c—General Business Credit

Enter on line 40c the organization's total general business credit.

If the organization is filing Form 6478, Credit for Alcohol Used as Fuel; or Form 8835 (see list below) with a credit from Section B; check the "Form(s)" box, enter the form number in the space provided, and include the allowable credit on line 40c.

Complete Form 3800, General Business Credit, if the organization has:

1. Two or more of the credits listed below;
2. A credit carryforward or carryback (including one from an ESOP credit);
3. A passive activity credit (other than the low-income housing credit); or
4. General credits from an electing large partnership.

Enter the amount of the general business credit on line 40c and check the Form 3800 box on that line. Attach Form 3800 and the other applicable credit forms to Form 990-T.

Form 3800 is not required if the organization has only one of the general business credits (and items 2-4 above do not apply). Instead, attach the applicable credit form(s) to the return; check the "Form(s)" box; specify the form number(s) in the space provided, and include the amount of the credit(s) on line 40c.

For Form 990-T filers, the general business credit includes:

- Form 3468, Investment Credit, including the following new credits.
 1. Credit for qualifying gasification project.
 2. Credit for qualifying advanced coal project.
- Form 6765, Credit for Increasing Research Activities.
- Form 8586, Low-Income Housing Credit.
- Form 8830, Enhanced Oil Recovery Credit.
- Form 8826, Disabled Access Credit.
- Form 8835, Renewable Electricity and Refined Coal, and Indian Coal Production Credit.
- Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips.
- Form 8820, Orphan Drug Credit.
- Form 8881, Credit for Small Employer Pension Startup Costs.
- Form 8882, Credit for Employer-Provided Child Care Facilities and Services.
- Form 8900, Qualified Railroad Track Maintenance Credit.
- Form 8864, Biodiesel and Renewable Diesel Fuels Credit.
- Form 8896, Low Sulfur Diesel Fuel Production Credit.
- 5884-A, Credits for Employers Affected by Hurricanes Katrina, Rita, or Wilma.

Line 40d—Credit for Prior Year Minimum Tax

Use Form 8801 to figure the minimum tax credit and any carryforward of that credit for trusts. For corporations, use Form 8827.

Line 42—Other Taxes

Recapture of investment credit. If property is disposed of, or ceases to be qualified property, before the end of the recapture period or the useful life applicable to the property, there may be a recapture of the credit. See Form 4255, Recapture of Investment Credit.

Recapture of low-income housing credit. If the organization disposed of property (or there was a reduction in the qualified basis of the property) for which it took the low-income housing credit, it may owe a tax. See Form 8611, Recapture of Low-Income Housing Credit, and section 42(j) for details.

Interest due under the look-back method. If the organization used the look-back method for certain long-term contracts, see Form 8697 for information on figuring the interest the organization may have to include. The organization may also have to include interest due under the look-back method for property depreciated under the income forecast method. See Form 8866, Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method.

Other. Additional taxes and interest amounts may be included in the total entered on line 42. Check the box for "Other" if the organization includes any of

the taxes and interest discussed below. See *How to report*, below, for details on reporting these amounts on an attached schedule.

- Recapture of qualified electric vehicle (QEV) credit. The organization must recapture part of the QEV credit it claimed in a prior year if within 3 years of the date the vehicle was placed in service, it ceases to qualify for the credit. See Regulations section 1.30-1 for details on how to figure the recapture.
- Tax and interest on a nonqualified withdrawal from a capital construction fund (section 7518).
- Interest on deferred tax attributable to (a) installment sales of certain timeshares and residential lots (section 453(l)(3)) and (b) certain nondealer installment obligations (section 453A(c)).
- Interest due on deferred gain (section 1260(b)).
- If the organization makes the election to be taxed on its income from qualifying shipping activities, complete and attach Form 8902 to Form 990-T. See *Income from qualifying shipping activities* on page 8.

How to report. If the organization checked the "Other" box, attach a schedule showing the computation of each item included in the total for line 42. In addition, identify (a) the applicable Code section, (b) the type of tax or interest, and (c) enter the amount of tax or interest. For example, if the organization is reporting \$100 of tax due from the recapture of the QEV credit, write "Section 30-QEV recapture tax-\$100" on the attached schedule.

Line 43—Total Tax

Include any deferred tax on the termination of a section 1294 election applicable to shareholders in a qualified electing fund in the amount entered on line 43. See Form 8621, Part V, and *How to report*, below.

Subtract from the total entered on line 43 any deferred tax on the corporation's share of undistributed earnings of a qualified electing fund (see Form 8621, Part II).

How to report. Attach a schedule showing the computation of each item included in, or subtracted from, the total on line 43. On the dotted line next to line 43, specify (a) the applicable Code section, (b) the type of tax, and (c) enter the amount of tax.

Line 44b—Estimated Tax

Enter the total estimated tax payments made for the tax year.

If an organization is the beneficiary of a trust, and the trust makes a section 643(g) election to credit its estimated tax payments to its beneficiaries, include the organization's share of the estimated tax payment in the total amount entered here. In the entry space to the left of line 44b, write "T" and the amount attributable to it.

Line 44d—Foreign Organizations

Enter the tax withheld on unrelated business taxable income from U.S. sources that is not effectively connected with the conduct of a trade or business within the United States. Attach Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, or other form which verifies the withheld tax reported on line 44d.

Line 44e—Backup Withholding


Recipients of dividend or interest payments must generally certify their correct tax identification number to the bank or other payer on Form W-9. If the payer does not get this information, it must withhold part of the payments as "backup withholding." If your organization was subject to erroneous backup withholding because the payer did not realize you were an exempt organization and not subject to this withholding, you can claim credit for the amount withheld by including it on line 44e. See *Backup withholding under Which Parts To Complete* on page 5.

Line 44f—Other Credits and Payments

Check the appropriate box(es) and enter:

- From Form 2439, the credit from regulated investment company (RIC) or real estate investment trust (REIT). Also, attach Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains. If you are filing a composite Form 990-T, see *Composite Form 990-T under Which Parts To Complete* on page 5 of these instructions.
- From Form 4136, the credit for federal tax paid on fuels. Also, attach Form 4136, Credit for Federal Tax Paid on Fuels, if the organization qualifies to take this credit.
- The credit for ozone-depleting chemicals. Include any credit the organization is claiming under section 4682(g) for taxes paid on chemicals used as propellants in metered-dose inhalers.

After entering these amounts in the appropriate spaces, add them all together and enter the total on line 44f.

 **Form 8849, Claim for Refund of Excise Taxes, may be used to claim a periodic refund of excise taxes instead of waiting to claim a credit on Form 4136. See the instructions for Form 8849 and Pub. 378, Fuel Tax Credits and Refunds, for more information.**

Line 47—Tax Due

Domestic organizations owing less than \$500 and foreign organizations that do not have an office or place of business in the United States should enclose a check or money order (in U.S. funds), made payable to the "United States Treasury," with Form 990-T.

Domestic organizations owing \$500 or more and foreign organizations with an office or place of business in the United

States should see *Depository Method of Tax Payment* on page 3.

Part V—Statements Regarding Certain Activities and Other Information

Complete all items in Part V.

Line 1. Check “Yes” if either 1 or 2 below applies:

1. At any time during the year the organization had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account); and
 - a. The combined value of the accounts was more than \$10,000 at any time during the year; and
 - b. The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.
2. The organization owns more than 50% of the stock in any corporation that would answer “Yes” to item 1 above.

If the “Yes” box is checked, write the name of the foreign country or countries. Attach a separate sheet if more space is needed.

Get Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts, to see if the organization is considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). The organization can obtain Form TD F 90-22.1 from the IRS Forms Distribution Center or by calling 1-800-TAX-FORM (1-800-829-3676) or by downloading it from the IRS website at www.irs.gov. If the organization is required to file this form, file it by June 30, 2006, with the Department of the Treasury at the address shown on the form. Do not file it with the IRS or attach it to Form 990-T.

Line 2. The organization may be required to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, if:

- It directly or indirectly transferred money or property to a foreign trust. For this purpose, any U.S. person who created a foreign trust is considered a transferor.
- It is treated as the owner of any part of the assets of a foreign trust under the grantor trust rules.
- It received a distribution from a foreign trust.

For more information, see the instructions for Form 3520.



CAUTION An owner of a foreign trust must ensure that the trust files an annual information return on Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner. For details, see the Instructions for Form 3520-A.

Line 3. Report any tax-exempt interest received or accrued in the space

provided. Include any exempt-interest dividends received as a shareholder in a mutual fund or other regulated investment company.

Signature

Corporations. The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or by any other corporate officer (such as tax officer) authorized to sign. Receivers, trustees, or assignees must also sign and date any return filed on behalf of the organization.

Trusts. The return must be signed and dated by the individual fiduciary, or by the authorized officer of the trust receiving or having custody or control and management of the income of the trust. If two or more individuals act jointly as fiduciaries, any one of them may sign.

Special rule for IRA trusts. A trustee of IRA trusts may use a facsimile signature if all of the following conditions are met:

- Each group of returns sent to the IRS must be accompanied by a letter signed by the person authorized to sign the returns declaring, under penalties of perjury, that the facsimile signature appearing on the returns is the signature adopted by that person to sign the returns filed and that the signature was affixed to the returns by that person or at that person's direction.
- The letter must also list each return by the name and EIN of the IRA trust.
- After the facsimile signature is affixed, no entries on the return may be altered other than to correct discernible arithmetic errors.
- A manually signed copy (of the letter submitted to the IRS with the returns and a record of any arithmetic errors corrected) must be retained on behalf of the IRA trusts listed in the letter and it must be available for inspection by the IRS.

Paid preparer. If an officer of the organization filled in its return, the paid preparer's space should remain blank. Anyone who prepares the return but does not charge the organization should not sign the return. Certain others who prepare the return should not sign. For example, a regular, full-time employee of the organization, such as a clerk, secretary, etc., should not sign.

Generally, anyone who is paid to prepare the organization's tax return must sign it and fill in the “Paid Preparer's Use Only” area.

The paid preparer must complete the required preparer information:

- Sign the return in the space provided for the preparer's signature.
- Give a copy of the return to the organization.

Note. A paid preparer may sign original returns, amended returns or requests for filing extensions by rubber stamp, mechanical device or computer software program.

Paid Preparer Authorization. If the organization wants to allow the IRS to

discuss its 2005 tax return with the paid preparer who signed it, check the “Yes” box in the signature area of the return. This authorization applies only to the individual whose signature appears in the “Paid Preparer's Use Only” section of its return. It does not apply to the firm, if any, shown in that section.

If the “Yes” box is checked, the organization is authorizing the IRS to call the paid preparer to:

- Give the IRS any information that is missing from its return,
- Call the IRS for information about the processing of its return or the status of its refund or payment(s), and
- Respond to certain IRS notices that the organization has shared with the preparer about a math error, offsets, and return preparation. The notices will not be sent to the preparer.

The organization is not authorizing the paid preparer to receive any refund check, bind the organization to anything (including any additional tax liability), or otherwise represent the organization before the IRS. If the organization wants to expand the paid preparer's authorization, see Pub. 947, Practice Before the IRS and Power of Attorney.

The authorization cannot be revoked. However, the authorization will automatically end no later than the due date (excluding extensions) for filing the 2006 Form 990-T.

Schedule A—Cost of Goods Sold

Generally, inventories are required at the beginning and end of each tax year if the production, purchase, or sale of merchandise is an income-producing factor. See Regulations section 1.471-1.

However, if the organization is a qualifying taxpayer or a qualifying small business taxpayer, it may adopt or change its accounting method to account for inventoriable items in the same manner as materials and supplies that are not incidental (unless its business is a tax shelter (as defined in section 448(d)(3))).

A qualifying taxpayer is a taxpayer that, for each prior tax year ending after December 16, 1998, has average annual gross receipts of \$1 million or less for the 3-tax-year period ending with that prior tax year.

A qualifying small business taxpayer is a taxpayer (a) that, for each prior tax year ending on or after December 31, 2000, has average annual gross receipts of \$10 million or less for the 3-tax-year period ending with that prior tax year, and (b) whose principle business activity is not an ineligible activity.

Under this accounting method, inventory cost for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year the organization paid for the raw materials or

merchandise, if it is also using the cash method). For additional guidance on this method of accounting for inventoriable items, see Pub. 538 and the Instructions for Form 3115.

Enter amounts paid for all raw materials and merchandise during the tax year on line 2. The amount the organization can deduct for the tax year is figured on line 7.

All filers not using the cash method of accounting should see Section 263A uniform capitalization rules in the instructions for *Limitations on Deductions* on page 9 before completing Schedule A. The instructions for lines 4a, 4b, and 6 below apply to Schedule A.

Inventory valuation methods.

Inventories can be valued at:

1. Cost as described in Regulations section 1.471-3,
2. Lower of cost or market as described in Regulations section 1.471-4, or
3. Any other method approved by the IRS that conforms to the requirements of the applicable regulations cited below.

However, if the organization is using the cash method of accounting, it is required to use cost.

A small producer is one whose average annual gross receipts are \$1 million or less. Small producers that account for inventories in the same manner as materials and supplies that are not incidental may currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs.

The average cost (rolling average) method of valuing inventories generally does not conform to the requirement of the regulations. See Rev. Rul. 71-234, 1971-1 C.B. 148.

Organizations that use erroneous valuation methods must change to a method permitted for federal income tax purposes. File Form 3115 to make this change.

Inventory may be valued below cost when the merchandise is unsalable at normal prices, or unusable in the normal way because the goods are subnormal because of damage, imperfections, shop wear, etc., within the meaning of Regulations section 1.471-2(c). The goods may be valued at the current bona fide selling price, minus direct cost of disposition (but not less than scrap value) if such a price can be established.

If this is the first year the Last-in First-out (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method provided in section 472, attach Form 970, Application To Use LIFO Inventory Method, or a statement with the information required by Form 970.

If the organization changed or extended its inventory method to LIFO and had to write up the opening inventory to cost in the year of election, report the

effect of this write up as other income (line 12, page 1) proportionately over a 3-year period that begins in the tax year the LIFO election was made (section 472(d)).

Schedule A, line 1. If the organization is changing its method of accounting to no longer account for inventories, it must refigure last year's closing inventory using the new method of accounting and enter the result on line 1. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring the organization's section 481(a) adjustment (explained on page 6).

Schedule A, line 4a. An entry is required on this line only for organizations that have elected a simplified method of accounting.

For organizations that have elected the simplified production method, additional section 263A costs are generally those costs, other than interest, that are now required to be capitalized under section 263A but that were not capitalized under the organization's method of accounting immediately prior to the effective date of section 263A. For details, see Regulations section 1.263A-2(b).

For organizations that have elected the simplified resale method, additional section 263A costs are generally those costs incurred with respect to the following categories: off-site storage or warehousing; purchasing; handling, such as processing, assembling, repackaging, and transporting; and general and administrative costs (mixed service costs). For details, see Regulations section 1.263A-3(d).

Enter on line 4a the balance of section 263A costs paid or incurred during the tax year not included on lines 2 and 3.

Schedule A, line 4b. Enter on line 4b any costs paid or incurred during the tax year not entered on lines 2 through 4a.

Schedule A, line 6. See Regulations sections 1.263A-1 through 1.263A-3 for details on figuring the amount of additional section 263A costs to be included in ending inventory.

If the organization accounts for inventories in the same manner as materials and supplies that are not incidental, enter on line 6 the portion of its raw materials and merchandise purchased for resale that are included on line 5 and were not sold during the year.

Schedule C—Rent Income

Section 501(c)(7), (9), and (17) organizations, enter gross rents on Part I, line 6, and applicable expenses on Part II, lines 14 through 28. All rents except those that are exempt function income must be included.

All organizations that have applicable rent income, other than section 501(c)(7), (9), and (17) organizations, should complete Schedule C on page 3 of the return. For organizations other than section 501(c)(7), (9), and (17)

organizations, only the following rents are taxable in Part I, line 6:

1. Rents from personal property leased with real property, if the rents from the personal property are more than 10% of the total rents received or accrued under the lease, determined at the time the personal property is placed in service.

2. Rents from real and personal property if:

- a. More than 50% of the total rents received or accrued under the lease are for personal property; or
- b. The amount of the rent depends on the income or profits derived by any person from the property leased (except an amount based on a fixed percentage of receipts or sales).

A redetermination of the percentage of rent for personal property is required when either:

1. There is an increase of 100% or more by the placing of additional or substitute personal property in service; or
2. There is a modification of the lease that changes the rent charged.

Rents from both real and personal property not taxable in Part I, line 6, may be taxable on line 8 if the income is from a controlled organization or on line 7 if the property is debt-financed. Taxability of the rents must be considered in that order; that is, rents not taxed on line 6 may be taxed on line 8 and rents not taxed on line 6 or line 8 may be taxed on line 7.

Rents from personal property that is not leased with real property should be reported on line 12 of Part I.

See Form 8582 (for trusts) or Form 8810 (for corporations) and section 469 for limitations on losses from rental activities.

Schedule E—Unrelated Debt-Financed Income

Schedule E applies to all organizations except sections 501(c)(7), (9), and (17) organizations.

When debt-financed property is held for exempt purposes and other purposes, the organization must allocate the basis, debt, income, and deductions among the purposes for which the property is held. Do not include in Schedule E amounts allocated to exempt purposes.



For section 514 purposes, do not treat an interest in a qualified state tuition program (QSTP) as debt. However, a QSTP's investment income is treated as debt-financed income if the QSTP incurs indebtedness when acquiring or improving income-producing property.

Column 1—Description of debt-financed property. Any property held to produce income is debt-financed property if at any time during the tax year there was acquisition indebtedness outstanding for the property. When any property held for the production of income by an organization is disposed of at a

gain during the tax year, and there was acquisition indebtedness outstanding for that property at any time during the 12-month period before the date of disposition, the property is debt-financed property. Securities purchased on margin are considered debt-financed property if the liability incurred in purchasing them remains outstanding.

Acquisition indebtedness is the outstanding amount of principal debt incurred by the organization to acquire or improve the property:

1. Before the property was acquired or improved, if the debt was incurred because of the acquisition or improvement of the property; or
2. After the property was acquired or improved, if the debt was incurred because of the acquisition or improvement, and the organization could reasonably foresee the need to incur the debt at the time the property was acquired or improved.

With certain exceptions, acquisition indebtedness does not include debt incurred by:

1. A qualified (section 401) trust in acquiring or improving real property. See section 514(c)(9) for more details.
2. A tax-exempt school (section 170(b)(1)(A)(ii)) and its affiliated support organizations (section 509(a)(3)) for indebtedness incurred after July 18, 1984.
3. An organization described in section 501(c)(25) in tax years beginning after December 31, 1986.
4. An obligation, to the extent that it is insured by the Federal Housing Administration, to finance the purchase, rehabilitation, or construction of housing for low and moderate income persons, or indebtedness incurred by a small business investment company licensed after October 22, 2004, under the Small Business Investment Act of 1958 if such indebtedness is evidenced by a debenture issued by such company under section 303(a) of that Act, and held or guaranteed by the Small Business Administration (see section 514(c)(6)(B) for limitations).

See Pub. 598 for additional exceptions to the rules for debt-financed property.

Column 2. Income is not unrelated debt-financed income if it is otherwise included in unrelated business taxable income. For example, do not include rents from personal property shown in Schedule C, or rents and interest from controlled organizations shown in Schedule F.

Column 4. Average acquisition indebtedness for any tax year is the average amount of the outstanding principal debt during the part of the tax year the property is held by the organization. To figure the average amount of acquisition debt, determine the amount of the outstanding principal debt on the first day of each calendar month during that part of the tax year that the organization holds the property. Add these amounts together, and divide the

result by the total number of months during the tax year that the organization held the property. See section 514(a) and the related regulations for property acquired for an indeterminate price.

Column 5. The average adjusted basis for debt-financed property is the average of the adjusted basis of the property on the first and last days during the tax year that the organization holds the property. Determine the adjusted basis of property under section 1011. Adjust the basis of the property by the depreciation for all earlier tax years, whether or not the organization was exempt from tax for any of these years. Similarly, for tax years during which the organization is subject to tax on unrelated business taxable income, adjust the basis of the property by the entire amount of allowable depreciation, even though only a part of the deduction for depreciation is taken into account in figuring unrelated business taxable income.

If no adjustments to the basis of property under section 1011 apply, the basis of the property is cost.

See section 514(d) and the related regulations for the basis of debt-financed property acquired in a complete or partial liquidation of a corporation in exchange for its stock.

Column 7. The amount of income from debt-financed property included in unrelated trade or business income is figured by multiplying the property's gross income by the percentage obtained from dividing the property's average acquisition indebtedness for the tax year by the property's average adjusted basis during the period it is held in the tax year. This percentage cannot be more than 100%.

Column 8. For each debt-financed property, deduct the same percentage (as determined above) of the total deductions that are directly connected to the income (including the dividends-received deductions allowed by sections 243, 244, and 245). However, if the debt-financed property is depreciable property, figure the depreciation deduction by the straight line method only, and enter the amount in column 3(a).

For each debt-financed property, attach schedules showing separately a computation of the depreciation deduction (if any) reported in column 3(a) and a breakdown of the expenses included in column 3(b). Corporations owning stock that is unrelated debt-financed property should see Schedule C (Dividends and Special Deductions) of Form 1120, U.S. Corporation Income Tax Return, to determine the dividends-received deductions to include in column 3(b).

Enter on the last line of Schedule E, the total dividends-received deductions (after reduction, when applicable, by the debt-basis percentage(s)) included in column 8.

When a capital loss for the tax year may be carried back or carried over to another tax year, the amount to carry over or back is figured by using the percentage determined above. However, in the year

to which the amounts are carried, do not apply the debt-basis percentage to determine the deduction for that year.

Example 1. An exempt organization owns a four-story building. Two floors are used for an exempt purpose and two floors are rented (as an unrelated trade or business) for \$10,000. Expenses are \$1,000 for depreciation and \$5,000 for other expenses that relate to the entire building. The average acquisition indebtedness is \$6,000, and the average adjusted basis is \$10,000. Both apply to the entire building.

To complete Schedule E for this example, describe the property in column 1. Enter \$10,000 in column 2 (since the entire amount is for debt-financed property), \$500 and \$2,500 in columns 3(a) and 3(b), respectively (since only one-half of the expenses are for the debt-financed property), \$3,000 and \$5,000 in columns 4 and 5, respectively (since only one-half of the acquisition indebtedness and the average adjusted basis are for debt-financed property), 60% in column 6, \$6,000 in column 7, and \$1,800 in column 8.

Example 2. Assume the same facts as in *Example 1*, except the entire building is rented out as an unrelated trade or business for \$20,000. To complete Schedule E for this example, enter \$20,000 in column 2, \$1,000 and \$5,000 in columns 3(a) and 3(b), respectively (since the entire amount is for debt-financed property), \$6,000 and \$10,000 in columns 4 and 5 (since the entire amount is for debt-financed property), 60% in column 6, \$12,000 in column 7, and \$3,600 in column 8.

Schedule F—Interest, Annuities, Royalties, and Rents From Controlled Organizations

Interest, annuities, royalties, and rents received or accrued (directly or indirectly) by a controlling organization from a controlled organization are subject to tax, whether or not the activity conducted by the controlling organization to earn these amounts is a trade or business or is regularly carried on.

Controlled Organization

An entity is a "controlled organization" if the controlling organization owns:

- By vote or value more than 50% of a corporation's stock (for an organization that is a corporation);
- More than 50% of a partnership's profits or capital interests (for an organization that is a partnership); or
- More than 50% of the beneficial interests in an organization (for an organization other than a corporation or partnership).

To determine the ownership of stock in a corporation, apply the principles of section 318 (constructive ownership of stock). Apply similar principles to

determine the ownership of interests in a partnership or any other organization.

Specified payment. Specified payment means any payment of interest, annuity, royalty, or rent. Include the specified payment in gross income to the extent that the payment reduces the net unrelated income (or increases the net unrelated loss) of the controlled organization.

If any part of a specified payment is included in gross income, Schedule F must be completed.

Net unrelated income. Net unrealized income means:

- For a controlled organization that is exempt from tax under section 501(a), the unrelated business taxable income of the controlled organization.
- For a controlled organization that is not exempt from tax under section 501(a), the part of the controlled organization's taxable income that would be unrelated business taxable income if the controlled organization was tax exempt under section 501(a) and had the same tax-exempt purpose as the controlling organization.

Net unrelated loss. Net unrealized loss means the net operating loss using rules similar to those discussed under Net unrelated income.

Schedule G—Investment Income of a Section 501(c)(7), (9), or (17) Organization

Generally, for section 501(c)(7), (9), or (17) organizations, unrelated trade or business income includes all gross income from nonmembers with certain modifications. See section 512(a)(3)(A). Report on Schedule G all income from investments in securities and other similar investment income from nonmembers, including 100% of income and directly connected expenses from debt-financed property. Do not report nonmember income from debt-financed property on Schedule E.

All section 501(c)(7), (9), and (17) organizations figure their investment income using Schedule G. Do not include interest on state and local governmental obligations described in section 103(a).

Investment income includes all income from debt-financed property.

Deduct only those expenses that are directly connected to the net investment income. Allocate deductions between exempt activities and other activities where necessary. The organization may not take the dividends-received deductions in figuring net investment income because they are not treated as directly connected with the production of gross income.

Section 501(c)(7), (9), and (17) organizations may set aside income that would otherwise be taxable under section 512(a)(3). However, income derived from an unrelated trade or business may not

be set aside and thus cannot be exempt function income. In addition, any income set aside and later expended for other purposes must be included in income.

Sections 501(c)(7), (9), and (17) organizations will not be taxed on income set aside for:

1. Religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals;
2. The payment of life, sick, accident, or other benefits by a section 501(c)(9) or (17) organization. The amount allowed as a set aside may not exceed a limit determined using section 419A. See sections 419A and 512(a)(3)(E) for details;
3. Reasonable administration costs directly connected with 1 and 2 above.

Report income set aside in column 4 of Schedule G. Amounts set aside are not deductible under section 170 or any other section of the Code.

The organization may elect to treat income set aside by the date for filing the return, including any extensions of time, as income set aside in the tax year for which the return is filed. The income set aside must have been includible in gross income for that earlier tax year.

Although set aside income may be accumulated, any accumulation that is unreasonable will be evidence that the set aside was not for the purposes described above.

Net investment income set aside must be specifically earmarked as such, or placed in a separate account or fund (except for an employees' association which, by the terms of its governing instrument, must use its net investment income for the purposes stated in 2 above).

These rules apply to a corporation described in section 501(c)(2) (title holding corporation) whose income is payable to an organization described in section 501(c)(7), (9), or (17) if it files a consolidated return with the section 501(c)(7), (9), or (17) organization.

If a section 501(c)(7), (9), or (17) organization (or a title holding corporation described above) sells property that was used for the exempt function of the section 501(c)(7), (9), or (17) organization, and buys other property used for the organization's exempt function within a period beginning 1 year before the date of the sale, and ending 3 years after the date of the sale, the gain from the sale will be recognized only to the extent that the sales price of the old property is more than the cost of the other property. The other property need not be similar in type or use to the old property. The organization must notify the IRS of the sale by a statement attached to the return, or other written notice.

To compute the gain on the sale of depreciable property, see the instructions for column 5 of Schedule E to determine the adjusted basis of the property.

Schedule I—Exploited Exempt Activity Income, Other Than Advertising Income

A section 501(c)(7), (9), or (17) organization does not report exploited exempt activity income in Schedule I. Report the income in Part I, line 1a instead, or the appropriate line for the particular kind of income.

Exempt organizations (other than section 501(c)(7), (9), or (17) organizations) that have gross income from an unrelated trade or business activity that exploits an exempt activity (other than advertising income) should complete Schedule I. See Regulations section 1.513-1(d)(4)(iv) for a definition of exploited exempt activity.

An organization may take all deductions directly connected with the gross income from the unrelated trade or business activity. In addition, the organization may take into account all deductible items attributable to the exploited exempt activity, with the following limitations:

1. Reduce the deductible items of the exempt activity by the income from the activity;
2. Limit the net amount of deductible items arrived at in 1 above for the exempt activity to the net unrelated business income from the exploited exempt activity;
3. Exclude income and expenses of the exempt activity in figuring a loss carryover or carryback from the unrelated trade or business activity exploiting the exempt activity; and
4. Exclude deductible items of the exempt activity in figuring unrelated trade or business income from an activity that is not exploiting the same exempt activity.

Therefore, the net includible exploited exempt activity income is the unrelated business taxable income minus the excess of the exempt activity expenses over the exempt activity income. If the income from the exempt activity exceeds the exempt activity expenses, do not add that profit to the net income from the unrelated business activity. If two or more unrelated trade or business activities exploit the same exempt activity, treat those activities as one on Schedule I. Attach a separate schedule showing the computation.

Schedule J—Advertising Income

A section 501(c)(7), (9), or (17) organization does not report advertising income on Schedule J. Instead, report that income in Part I, line 1a.

An exempt organization (other than a section 501(c)(7), (9), or (17) organization) that earned gross income from the sale of advertising in an exempt organization periodical must complete

Schedule J. The part of the advertising income taken into account is determined as follows:

- 1. If direct advertising costs (expenses directly connected with advertising income) are more than advertising income (unrelated business income), deduct that excess in figuring unrelated business taxable income from any other unrelated trade or business activity carried on by the organization.
- 2. If advertising income is more than direct advertising costs, and circulation income (exempt activity income) equals or exceeds readership costs (exempt activity expenses), then unrelated business taxable income is the excess of advertising income over direct advertising costs.
- 3. If advertising income is more than direct advertising costs, and readership costs are more than circulation income, then unrelated business taxable income is the excess of total income (advertising income and circulation income) over total periodical costs (direct advertising costs and readership costs).
- 4. If the readership costs are more than the circulation income, and the net readership costs are more than the excess of advertising income over direct advertising costs, no loss is allowable. See Regulations section 1.512(a)-1(f)(2)(ii)(b).

For allocating membership receipts to circulation income, see Rev. Rul. 81-101, 1981-1 C.B. 352.

Consolidated periodicals. If an organization publishes two or more periodicals, it may elect to treat the gross income for all (but not less than all) periodicals, and deductions directly connected with those periodicals (including excess readership costs), as if the periodicals were one to determine its unrelated business taxable income. This rule only applies to periodicals published for the production of income. A periodical is considered published for the production of income if gross advertising income of the periodical is at least 25% of the

readership costs, and the periodical is an activity engaged in for profit.

**Schedule K—
Compensation of Officers,
Directors, and Trustees**

Complete columns 1 through 4, Schedule K, for those officers, directors, and trustees whose salaries or other compensation are allocable to unrelated business gross income. Do not include in column 4 compensation that is deducted on lines 15, 28, or Schedules A through J of Form 990-T.

Include on Schedule K (or elsewhere on the return) only compensation that is directly attributable to the unrelated trade or business activities of the organization. If personnel is used both to carry on exempt activities and to conduct unrelated trade or business activities, the

salaries and wages of those individuals will be allocated between the activities. For example, assume an exempt organization derives gross income from the conduct of certain unrelated trade or business activities. The organization pays its president a salary of \$65,000 a year. Ten percent of the president's time is devoted to the unrelated business activity. On Form 990-T, the organization enters \$6,500 (10% of \$65,000) on Schedule K for the part of the president's salary allocable to the unrelated trade or business activity. However, the remaining \$58,500 (90% of \$65,000) cannot be deducted on Form 990-T because it is not directly attributable to the organization's unrelated trade or business activities.

If taxable fringe benefits are provided to your employees, such as personal use of a car, do not deduct as salaries and wages the amounts you deducted for depreciation and other deductions.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. Section 6109 requires return preparers to provide their identifying numbers on the return.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

| | |
|---|-----------------|
| Recordkeeping | 67 hr., 26 min. |
| Learning about the law or the form | 27 hr., 10 min. |
| Preparing the form | 43 hr., 25 min. |
| Copying, assembling, and sending the form to the IRS | 4 hr., 1 min. |

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send the Form 990-T to this address. Instead, see *Where To File* on page 3.

Codes for Unrelated Business Activity

(If engaged in more than one unrelated business activity, select up to two codes for the principal activities. List first the largest in terms of gross unrelated income, then the next largest. Be sure to classify your unrelated activities, rather than your related activities. For example, code income from advertising in publications as 541800, Advertising and related services, rather than selecting a code describing a printing or publishing activity. Also, if possible, select a code that more specifically describes your unrelated activity, rather than a code for a more general activity.)

| | | |
|---|--|---|
| AGRICULTURE, FORESTRY, HUNTING, AND FISHING Code 110000 Agriculture, forestry, hunting, and fishing 111000 Crop production | 518210 Data processing, hosting, and related services 519100 Other information services | EDUCATIONAL SERVICES Code 611600 Other schools and instruction (other than elementary and secondary schools or colleges and universities, which should select a code to describe their unrelated activities) 611710 Educational support services |
| MINING Code 211110 Oil and gas extraction 212000 Mining (except oil and gas) | FINANCE AND INSURANCE Code 522100 Depository credit intermediation (including commercial banking, savings institutions, and credit unions) 522200 Nondepository credit intermediation (including credit card issuing and sales financing) 523000 Securities, commodity contracts, and other financial investments and related activities 524113 Direct life insurance carriers 524114 Direct health and medical insurance carriers 524126 Direct property and casualty insurance carriers 524292 Third-party administration of insurance and pension funds 524298 All other insurance-related activities 525100 Insurance and employee benefit funds 525920 Trusts, estates, and agency accounts 525990 Other financial vehicles | HEALTHCARE AND SOCIAL ASSISTANCE Code 621110 Offices of physicians 621300 Offices of other health practitioners 621400 Outpatient care centers 621500 Medical and diagnostic laboratories 621610 Home health care services 621910 Ambulance services 621990 All other ambulatory health care services 623000 Nursing and residential care facilities 623990 Other residential care facilities 624100 Individual and family services 624200 Community food and housing, and emergency and other relief services 624310 Vocational rehabilitation services 624410 Child day care services |
| UTILITIES Code 221000 Utilities | REAL ESTATE AND RENTAL AND LEASING Code 531110 Lessors of residential buildings and dwellings 531120 Lessors of nonresidential buildings (except miniwarehouses) 531190 Lessors of other real estate property 531310 Real estate property managers 531390 Other activities related to real estate 532000 Rental and leasing services 532420 Office machinery and equipment rental and leasing 533110 Lessors of nonfinancial intangible assets (except copyrighted works) | ARTS, ENTERTAINMENT, AND RECREATION Code 711110 Theater companies and dinner theaters 711120 Dance companies 711130 Musical groups and artists 711190 Other performing art companies 711210 Spectator sports (including sports clubs and racetracks) 711300 Promoters of performing arts, sports, and similar events 713110 Amusement and theme parks 713200 Gambling industries 713910 Golf courses and country clubs 713940 Fitness and recreational sports centers 713990 All other amusement and recreation industries (including skiing facilities, marinas, and bowling centers) |
| CONSTRUCTION Code 230000 Construction 236000 Construction of buildings | PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES Code 541100 Legal services 541200 Accounting, tax preparation, bookkeeping, and payroll services 541300 Architectural, engineering, and related services 541380 Testing laboratories 541511 Custom computer programming services 541519 Other computer-related services 541610 Management consulting services 541700 Scientific research and development services 541800 Advertising and related services 541860 Direct mail advertising 541900 Other professional, scientific, and technical services | ACCOMMODATION AND FOOD SERVICES Code 721000 Accommodation 721110 Hotels (except casino hotels) and motels 721210 RV (recreational vehicle) parks and recreational camps 721310 Rooming and boarding houses 722100 Full-service restaurants 722210 Limited-service eating places 722320 Caterers 722410 Drinking places (alcoholic beverages) |
| MANUFACTURING Code 310000 Manufacturing 323100 Printing and related support activities 339110 Medical equipment and supplies manufacturing | MANAGEMENT OF COMPANIES AND ENTERPRISES Code 551111 Offices of bank holding companies 551112 Offices of other holding companies | OTHER SERVICES Code 811000 Repair and maintenance 812300 Drycleaning and laundry services 812900 Other personal services 812930 Parking lots and garages |
| WHOLESALE TRADE Code 423000 Merchant wholesalers, durable goods 424000 Merchant wholesalers, nondurable goods | ADMINISTRATIVE AND SUPPORT AND WASTE MANAGEMENT AND REMEDIATION SERVICES Administrative and Support Services Code 561000 Administrative and support services 561300 Employment services 561439 Other business service centers (including copy shops) 561499 All other business support services 561500 Travel arrangement and reservation services 561520 Tour operators 561700 Services to buildings and dwellings Waste Management and Remediation Services Code 562000 Waste management and remediation services (sanitary services) | OTHER Code 900000 Unrelated debt-financed activities other than rental of real estate 900001 Investment activities of section 501(c)(7), (9), or (17) organizations 900002 Rental of personal property 900003 Passive income activities with controlled organizations 900004 Exploited exempt activities |
| RETAIL TRADE Code 441100 Automobile dealers 442000 Furniture and home furnishings stores 443120 Computer and software stores 444100 Building materials and supplies dealers 445100 Grocery stores 445200 Specialty food stores 446110 Pharmacies and drug stores 446199 All other health and personal care stores 448000 Clothing and clothing accessories stores 451110 Sporting goods stores 451211 Book stores 452000 General merchandise stores 453000 Miscellaneous store retailers 453220 Gift, novelty, and souvenir stores 453310 Used merchandise stores 454110 Electronic shopping and mail-order houses | | |
| TRANSPORTATION AND WAREHOUSING Code 480000 Transportation 485000 Transit and ground passenger transportation 493000 Warehousing and storage | | |
| INFORMATION Code 511110 Newspaper publishers (except Internet) 511120 Periodical publishers (except Internet) 511130 Book publishers (except Internet) 511140 Directory and mailing list publishers (except Internet) 511190 Other publishers (except Internet) 512000 Motion picture and sound recording industries 515100 Radio and television broadcasting (except Internet) 516110 Internet publishing and broadcasting 517000 Telecommunications (including paging, cellular, satellite, cable, and other telecommunications) 518111 Internet service providers 518112 Web search portals | | |

Supplemental Instructions and a Completed Sample of Form 990-EZ

This part of the instructions provides a set of facts and a filled-in example to help you prepare a complete and accurate Form 990-EZ for 2005.

To avoid having to respond to requests for missing information, be sure to complete all applicable line items; to answer "Yes," "No," or "N/A" (not applicable) to each question on the return; to make an entry (including "-0-" when appropriate) on all **total** lines; and to enter "None" or "N/A" if an entire part of Form 990-EZ does not apply. If one or more applicable line items are not completed, we will consider the return incomplete and contact the organization for the missing information. The penalty of \$20 a day for not filing a return under section 6652(c) also applies if a return is submitted without required information.

The illustrated example of a completed Form 990-EZ for 2005 was prepared using the following facts.

The Raccoons Club of Southern Maryland was chartered on January 4, 1957, as an affiliate of the National Order of Raccoons, which received a ruling letter dated February 28, 1958, recognizing the Order and its affiliated local chapters as exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code. The group exemption number that the IRS assigned the National Order of Raccoons was 1234. Members of the local chapters receive a monthly magazine, club pins, and other items from the national organization. The club operates primarily as a community service organization.

The club reports on a calendar year basis. Assets of the organization at the beginning of 2005 consisted of a savings account of \$7,500 and cash in a checking account of \$975. The savings account earned \$300 interest during the year, which was added to the account balance. There was \$2,400 in the checking account at the end of the year. The organization did not have an interest in or signature authority over any foreign financial accounts.

The club does not maintain any offices and has no employees. All activities of the club are carried out by members and volunteers. The books and records are maintained by the treasurer of the club who is elected from the membership. Mr. Daniel Bell of Route 4, Box 181, Bay City, Maryland 20602 was treasurer in 2005.

The club has 110 members who meet monthly at a local restaurant for lunch and to conduct necessary business. No meetings are held in 2 months out of the year. The restaurant was paid \$495 per month, for each of the 10 months, to provide 110 lunches. The membership dues include provision for these luncheons at cost.

An annual community carnival is held July 2 through 4. A raffle of an automobile concludes the event on the evening of July 4. A concessionaire operates the carnival midway rides while food booths and other nongaming activities are operated by members and other volunteers. Proceeds of this affair provide the principal means by which the club carries out its community service projects. The concessionaire receives 60% of the gross receipts from the rides.

Receipts for the year consisted of:

| | |
|--|-----------------|
| Food and game booths at carnival | \$13,950 |
| Gross receipts from carnival rides | 23,175 |
| Raffle of automobile | 29,175 |
| Interest on savings account | 300 |
| Membership dues and assessments | 11,550 |
| Contributions in carnival "wishing well" | 150 |
| | <u>\$78,300</u> |

Expenses and disbursements for the year consisted of:

| | |
|--|-----------------|
| Grants and similar amounts paid: | |
| Food and lodging for a family—Fire damaged home | \$1,012 |
| Replacement of furniture—Fire damaged home | 1,463 |
| Prescription drugs—16 senior citizens | 2,175 |
| Medical bills—3 senior citizens | 2,400 |
| Bay City Little League Baseball | 3,750 |
| Bay City Midget Football | 3,750 |
| Bay City—Grandstand for recreation field | 10,500 |
| Per capita fee to National Order of Raccoons | 4,125 |
| Subtotal | <u>\$29,175</u> |

| | |
|--|-----------------|
| Expense of members' monthly meetings | 4,950 |
| Cost of automobile used in raffle and raffle tickets | 21,300 |
| Cost of food, etc., sold at carnival | 4,200 |
| Concessionaire's fee | 13,905 |
| Legal fees | 180 |
| Printing, publications, and postage expenses | 990 |
| Travel and conference expenses | 1,875 |
| Total expenses and disbursements | <u>\$76,575</u> |

Using the information outlined here, we are able to fill in Form 990-EZ. We suggest that you familiarize yourself with the facts and the sample return before preparing your organization's return.

Part I

Line 1. We have entered contributions of \$150 received during the course of the carnival, a special event. These contributions should not be reported as part of the revenue from the special event. We checked the box in the heading of our return to show that no Schedule B (Form 990, 990-EZ, or 990-PF) is required because contributions were less than \$5,000.

Line 3. We have entered the total membership dues and assessments. Because of the benefits received by the members from the national and local organization (magazine, pins, monthly luncheons, etc.), we have not classified these membership dues as contributions. See the Form 990-EZ instructions for line 3 for information about reporting membership dues as contributions.

Line 4. We have entered the amount of interest received as investment income for the year.

Line 6. We have combined the carnival and the raffle (the two special events conducted in 2005). We have indicated the total receipts and expenses from these activities and have checked the box for gaming. All of the expenses of these special events are reportable on line 6b and none on line 7b, even though some of the expenses represent cost of goods sold. The combined net income from the two events is reported on line 6c.

Line 10. We have entered the total of grants and similar amounts paid. We have included the amount of the per capita dues paid to the organization's national affiliate. These amounts did not include foreign grants.

Line 13. We have entered the total for professional fees for legal services. A legal opinion was sought to determine whether or not the club members would be individually liable for the debts of the club, which is an unincorporated association.

Line 15. We have entered the total for printing, publications, and postage expenses.

Line 16. We have entered and described *Other expenses*,—expenses of members' monthly meetings, and the costs of travel and conferences.

Line 19. We have entered the net assets balance at the beginning of the year from line 27, column (A) of Part II.

Line 21. We have entered the total of lines 18, 19, and 20. This computed net assets figure agrees with the end-of-year net assets balance from line 27, column (B) of Part II.

Part II

We prepared beginning and end-of-year balance sheets using the information given.

Part III

We listed the organization's two program services and indicated the expenses attributable to each. These amounts did not include foreign grants.

Part IV

We have entered, on the form and in an attachment, the name, address, and the other required information for each officer and director, even though each of them serves without compensation. (**Note.** For the sake of brevity, specific names, addresses, titles, and hours worked were not given in the statement of facts.)

Part V

Lines 33 through 38, and 40b. From the facts given, the answer to each of these questions was "No," "N/A," or "-0-."

Lines 39, 40a, and 43 do not apply because the club is a section 501(c)(4) organization.

Lines 40c and 40d do not apply as there were no excess benefit transactions nor was any excise tax paid or reimbursed.

Form **990-EZ**Department of the Treasury
Internal Revenue Service**Short Form****Return of Organization Exempt From Income Tax**

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ For organizations with gross receipts less than \$100,000 and total assets less than \$250,000 at the end of the year.

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-1150

2005**Open to Public Inspection****A** For the 2005 calendar year, or tax year beginning

, 2005, and ending

, 20

B Check if applicable:

- ☐ Address change
☐ Name change
☐ Initial return
☐ Final return
☐ Amended return
☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization

Raccoons Club of Southern Maryland

Number and street (or P.O. box, if mail is not delivered to street address) Room/suite

Route 4, Box 181

City or town, state or country, and ZIP + 4

Bay City, MD 20602-1235

D Employer identification number

52 : 7654321

E Telephone number

(555) 645-0012

F Group Exemption

Number . . ▶ 1234

• **Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).****G** Accounting method: ☒ Cash ☐ Accrual
Other (specify) ▶**I** Website: ▶ www.rcsm_20602.org**J** Organization type (check only one)—☒ 501(c) (4) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527**H** Check ☒ if the organization is **not** required to attach Schedule B (Form 990, 990-EZ, or 990-PF).**K** Check ☐ if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization chooses to file a return, be sure to file a complete return. **Some states require a complete return.****L** Add lines 5b, 6b, and 7b, to line 9 to determine gross receipts; if \$100,000 or more, file Form 990 instead of Form 990-EZ . ▶ \$ 78,300**Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances** (See page 37 of the instructions.)

| | | | | |
|------------|--|---|--------|--------|
| Revenue | 1 | Contributions, gifts, grants, and similar amounts received | 1 | 150 |
| | 2 | Program service revenue including government fees and contracts | 2 | -0- |
| | 3 | Membership dues and assessments | 3 | 11,550 |
| | 4 | Investment income | 4 | 300 |
| | 5a | Gross amount from sale of assets other than inventory | 5a | -0- |
| | 5b | Less: cost or other basis and sales expenses | 5b | -0- |
| | 5c | Gain or (loss) from sale of assets other than inventory (line 5a less line 5b) (attach schedule). | 5c | -0- |
| | 6 | Special events and activities (attach schedule). If any amount is from gaming, check here <input checked="" type="checkbox"/> | | |
| | 6a | Gross revenue (not including \$ 150 of contributions reported on line 1) | 6a | 66,300 |
| Expenses | 6b | Less: direct expenses other than fundraising expenses | 6b | 39,405 |
| | 6c | Net income or (loss) from special events and activities (line 6a less line 6b). | 6c | 26,895 |
| | 7a | Gross sales of inventory, less returns and allowances | 7a | -0- |
| | 7b | Less: cost of goods sold | 7b | -0- |
| | 7c | Gross profit or (loss) from sales of inventory (line 7a less line 7b) | 7c | -0- |
| | 8 | Other revenue (describe ▶ None) | 8 | -0- |
| | 9 | Total revenue (add lines 1, 2, 3, 4, 5c, 6c, 7c, and 8). ▶ | 9 | 38,895 |
| | 10 | Grants and similar amounts paid (attach schedule) | 10 | 29,175 |
| | 11 | Benefits paid to or for members | 11 | -0- |
| Net Assets | 12 | Salaries, other compensation, and employee benefits | 12 | -0- |
| | 13 | Professional fees and other payments to independent contractors | 13 | 180 |
| | 14 | Occupancy, rent, utilities, and maintenance | 14 | -0- |
| | 15 | Printing, publications, postage, and shipping | 15 | 990 |
| | 16 | Other expenses (describe ▶ Monthly meetings and conferences) | 16 | 6,825 |
| | 17 | Total expenses (add lines 10 through 16) ▶ | 17 | 37,170 |
| | 18 | Excess or (deficit) for the year (line 9 less line 17) | 18 | 1,725 |
| 19 | Net assets or fund balances at beginning of year (from line 27, column (A)) (must agree with end-of-year figure reported on prior year's return) | 19 | 8,475 | |
| 20 | Other changes in net assets or fund balances (attach explanation). | 20 | -0- | |
| 21 | Net assets or fund balances at end of year (combine lines 18 through 20) ▶ | 21 | 10,200 | |

Part II Balance Sheets—If Total assets on line 25, column (B) are \$250,000 or more, file Form 990 instead of Form 990-EZ.

(See page 40 of the instructions.)

| | (A) Beginning of year | (B) End of year |
|---|-----------------------|-----------------|
| 22 Cash, savings, and investments | 8,475 | 22 10,200 |
| 23 Land and buildings | -0- | 23 -0- |
| 24 Other assets (describe ▶ None) | -0- | 24 -0- |
| 25 Total assets | 8,475 | 25 10,200 |
| 26 Total liabilities (describe ▶ None) | -0- | 26 -0- |
| 27 Net assets or fund balances (line 27 of column (B) must agree with line 21) | 8,475 | 27 10,200 |

Part III Statement of Program Service Accomplishments (See page 41 of the instructions.)

What is the organization's primary exempt purpose? Community services

Describe what was achieved in carrying out the organization's exempt purposes. In a clear and concise manner, describe the services provided, the number of persons benefited, or other relevant information for each program title.

Expenses
(Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts; optional for others.)

| | | | |
|-----------|---|------------|----------|
| 28 | Grants for community benefits projects (The three grants made are listed in the schedule for line 10.) (Grants \$ 18,000) If this amount includes foreign grants, check here <input type="checkbox"/> | 28a | 18,000 |
| 29 | Financial aid to individuals (food, lodging, furniture, prescription drugs, payment of medical bills) were provided to one needy family and 19 senior citizens. (Grants \$ 7,050) If this amount includes foreign grants, check here <input type="checkbox"/> | 29a | 7,050 |
| 30 | (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/> | 30a | |
| 31 | Other program services (attach schedule) (Grants \$) If this amount includes foreign grants, check here <input type="checkbox"/> | 31a | |
| 32 | Total program service expenses (add lines 28a through 31a) | 32 | \$25,050 |

Part IV List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated. See page 41 of the instructions.)

| (A) Name and address | (B) Title and average hours per week devoted to position | (C) Compensation (If not paid, enter -0-) | (D) Contributions to employee benefit plans & deferred compensation | (E) Expense account and other allowances |
|---|--|---|---|--|
| Moe Williams, 221 Garner Ave. Bay City, MD 20602 | President/Director 10 hrs./wk. | -0- | -0- | -0- |
| Harold McDermott, 305 Mattingly Way Bay City, MD 20602 | Vice Pres./Director 5 hrs./wk. | -0- | -0- | -0- |
| John Hanna, 8100 Butler Ave. Forest Park, MD 20601 | Secretary/Director 15 hrs./wk. | -0- | -0- | -0- |
| Daniel Bell, Route 4, Box 181 Bay City, MD 20602 | Treasurer 10 hrs./wk. | -0- | -0- | -0- |

Part V Other Information (Note the attachment requirement in General Instruction V, page 14.)

| | Yes | No |
|---|-----|-----|
| 33 Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity | | X |
| 34 Were any changes made to the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes | | X |
| 35 If the organization had income from business activities, such as those reported on lines 2, 6, and 7 (among others), but not reported on Form 990-T, attach a statement explaining your reason for not reporting the income on Form 990-T. | | |
| a Did the organization have unrelated business gross income of \$1,000 or more or 6033(e) notice, reporting, and proxy tax requirements? | | X |
| b If "Yes," has it filed a tax return on Form 990-T for this year? | N/A | |
| 36 Was there a liquidation, dissolution, termination, or substantial contraction during the year? (If "Yes," attach a statement.) | | X |
| 37a Enter amount of political expenditures, direct or indirect, as described in the instructions. 37a -0- | | |
| b Did the organization file Form 1120-POL for this year? | | X |
| 38a Did the organization borrow from, or make any loans to, any officer, director, trustee, or key employee or were any such loans made in a prior year and still unpaid at the start of the period covered by this return? | | X |
| b If "Yes," attach the schedule specified in the line 38 instructions and enter the amount involved | | |
| 38b N/A | | |
| 39 501(c)(7) organizations. Enter: | | |
| a Initiation fees and capital contributions included on line 9 | | |
| b Gross receipts, included on line 9, for public use of club facilities | | |
| 39a N/A | | |
| 39b N/A | | |
| 40a 501(c)(3) organizations. Enter amount of tax imposed on the organization during the year under: section 4911 <input type="checkbox"/> ; section 4912 <input type="checkbox"/> ; section 4955 <input type="checkbox"/> N/A | | |
| b 501(c)(3) and (4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach an explanation. | | X |
| c Enter amount of tax imposed on organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 | | N/A |
| d Enter amount of tax on line 40c reimbursed by the organization | | N/A |

Part V Other Information (Note the attachment requirement in General Instruction V, page 14.) (Continued)

- 41** List the states with which a copy of this return is filed. None
- 42a** The books are in care of Daniel Bell Telephone no. (555) 645-0010
 Located at Route 4, Box 181, Bay City, MD ZIP + 4 20602-1235
- b** At any time during the calendar year, did the organization have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? Yes No
 If "Yes," enter the name of the foreign country: X
 See the instructions for exceptions and filing requirements for Form TD F 90-22.1
- c** At any time during the calendar year, did the organization maintain an office outside of the U.S.? Yes No
 If "Yes," enter the name of the foreign country: X
- 43** Section 4947(a)(1) nonexempt charitable trust filing Form 990-EZ in lieu of Form 1041 - Check here. 43 N/A

| | | | | |
|---------------------------------|---|---|---|--|
| Please Sign Here | Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge. | | | |
| | Signature of officer Daniel Bell | Date 3-15-06 | | |
| | Type or print name and title Daniel Bell, Treasurer | | | |
| Paid Preparer's Use Only | Preparer's signature [Signature] | Date [Date] | Check if self-employed <input type="checkbox"/> | Preparer's SSN or PTIN (See Gen. Inst. W) [SSN] |
| | Firm's name (or yours if self-employed), address, and ZIP + 4 [Address] | | EIN [EIN] | Phone no. [Phone] |



Printed on Recycled Paper

Form **990-EZ** (2005)

Raccoons Club of Southern Maryland
EIN: 52-7654321

Form 990-EZ (2005)

Part I, Line 6

| Event | Gross Receipts | Contributions | Gross Revenue | Expenses | Net Income |
|--------------------------|-----------------|---------------|-----------------|-----------------|-----------------|
| Carnival (1 occasion) | \$37,275 | \$150 | \$37,125 | \$18,105 | \$19,020 |
| Raffle (1 occasion) | 29,175 | -0- | 29,175 | 21,300 | 7,875 |
| Total | <u>\$66,450</u> | <u>\$150</u> | <u>\$66,300</u> | <u>\$39,405</u> | <u>\$26,895</u> |

Part I, Line 10--Grants and similar amounts paid.

Payments to affiliates: Per capita fees
paid to the National Order of Raccoons,
1241 Berwick St., Rensselaer, NY 12033,
for use in its national program

\$4,125

Specific assistance to individuals for:
Food, medical bills, temporary lodging,
and disaster relief

7,050

Bay City Little League 3,750

Bay City Midget Football 3,750

Bay City Recreation Field--Grandstand 10,500

Total \$29,175

Part V, Other Information, General Instruction V, Information Regarding Transfers Associated With Personal Benefit Contracts.

The organization was not involved in any activities involving personal benefit contracts.

Part V, Line 35--Receipts from business activities not reported on Form 990-T.

The carnival, and the raffle held in connection with it, are the club's two special events. The income from these annual events is not reported on Form 990-T because these events are not regularly carried on.